NEIGHBORHOOD CONSERVATION RESOURCES HANDBOOK

A comprehensive description of federal, state, local and private mechanisms for the conservation of housing and neighborhoods.

SANTA CLARA COUNTY PLANNING DEPARTMENT
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NEIGHBORHOOD CONSERVATION RESOURCES HANDBOOK

This is the first of three reports prepared by Santa Clara County as a part of its continuing housing and neighborhood conservation program.

Reports prepared in this series:

- o NEIGHBORHOOD CONSERVATION RESOURCES HANDBOOK
- o NEIGHBORHOOD CLASSIFICATION SYSTEM
- o NEIGHBORHOOD CONSERVATION STRATEGY

July 1978

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This report is the first in a series of reports prepared by the Santa Clara County Planning Department on Neighborhood Conservation.

16. Abstracts
This report describes in detail current federal, state, local and private resources for housing and neighborhood conservation. The report is written especially for the housing staff person who has the responsibility of establishing new or expanded programs or actions dealing with neighborhood conservation. Each identified program or action is described, the administrative responsibilities defined, major costs listed, and expected results summarized. A detailed step by step process for setting up the described program is included when appropriate. The program characteristics contained within the report are current to May 1, 1978, when the final draft was typed.

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Massive Housing Deterioration - Abandonment in Santa Clara County

Santa Clara County has joined the ranks of such notable declining cities as Detroit, St. Louis, Denver and Des Moines because of its rapidly accelerating rate of housing deterioration. The problems faced by Detroit and St. Louis in the 1970's and Denver, Des Moines and hundreds of other older cities in the 1980's has now hit Santa Clara County on a massive scale. Because most of the County's housing was built rapidly in the 1950's and 1960's and was of a construction type which required extensive ongoing maintenance, large areas of once sound housing have deteriorated rapidly because owners have not invested in preventive maintenance. It has been stated that over 40 per cent of the housing stock has major escalating deterioration problems. Entire neighborhoods and subdivisions are declining and abandonment of housing units is occurring in eight different areas. The County Executive has declared an emergency and has instituted actions which will attempt to slow down and reverse this trend. Many people believe, however, that it is now too late to effectively deal with the problem. The lessons to be learned from Detroit and St. Louis escaped the population of Santa Clara County until it was too late. History once again repeats itself.

* *

THE PROBLEM

The above fictitious article probably will never be written in 1990. Although exaggerated, it describes the future problem if steps are not taken now to insure the continued, ongoing maintenance of the County's housing supply. Undesirable trends identified today can be modified only if timely steps are taken by government and the private sector to alter the trends. These steps must be extensive and comprehensive in order to effectively impact the forces causing housing and neighborhood deterioration.

Because large areas of the County were developed in the 1950's, Santa Clara County is faced with deterioration problems different than older eastern cities. The 1950's housing units

were of a different quality than housing built from 1900 to 1940, and require significant ongoing maintenance. The relative newness of the County's housing stock and the relative affluence of the County's population however, have reduced concern regarding anticipated deterioration problems. In 1978, housing supply deficiencies and housing discrimination practices overshadow the growing deterioration problem. Because large tracts of housing have been built in the Santa Clara Valley in relatively short periods of time, neighborhood deterioration will become an immense problem if actions are not taken to guarantee proper ongoing maintenance. If this does not occur, massive and costly remedial rehabilitation programs will be necessary to upgrade the deteriorated housing. This will occur at a time when the economy is projected to be tight and people will not have the extra funds to invest in extensive home repairs and reconstruction.

Future projections of the housing situation in the Bay Area indicate a continuing housing "crunch." The tight housing market will continue to cause the demand for housing units at affordable rents to be higher than the supply of units at those rents. Therefore, a greater percentage of household income will be spent for housing. Shelter costs will continue to increase and housing vacancy rates will continue to decline. The high-inflation economy will cause less money to be spent for regular housing maintenance because a family's limited income will be spent for basic commodities such as food, clothing, fuel and transportation. This will further increase the rate of housing deterioration and set the stage for massive future problems.

This situation can be avoided or at least reduced in scale. Actions can be taken now to promote housing maintenance and minimize deterioration. The government and the private sector must work jointly to develop a course of action which will guarantee adequate, safe housing at affordable costs. This report and the other two reports in the neighborhood conservation study hopefully will assist the cities and the County in developing actions which will prevent massive neighborhood deterioration problems in the future.

NEIGHBORHOOD CONSERVATION RESOURCES

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PART V PRIVATE RESOURCES FOR NEIGHBORHOOD CONSERVATION

* High applicability in Santa Clara County

NEIGHBORHOOD CONSERVATION RESOURCES HANDBOOK

EXECUTIVE SUMMARY

Neighborhood Conservation Resources Handbook is the first report in a three phase neighborhood conservation study. Funded through a 701 Comprehensive Planning Assistance Grant, the study was undertaken to develop a coordinated and comprehensive neighborhood conservation strategy for Santa Clara County. The primary emphasis of the study was to determine methods for preventing neighborhood decline. Secondly, its purpose was to determine appropriate actions to upgrade areas already in a deteriorated condition. In contrast to many other conservation efforts which concentrate only on housing related problems, the focus of this study was the entire neighborhood environment.

This report identifies a wide variety of federal, state, city and private financial resources and other mechanisms (governmental procedures, actions, policies, and innovative conservation initiatives) which can be used in a neighborhood conservation strategy. Each program or action is described in appropriate detail according to the complexity of the program and its applicability to Santa Clara County. The text attempts to detail the administrative structure and roles of the participants in each program, estimate the cost to the local agency when quantifiable, list the necessary steps by which the program can be set up by the local agency, and provide a statement on the anticipated program results. Contact persons or agencies are also listed for each resource.

The report is written primarily for a city or county staff person to assist in neighborhood conservation program development and implementation. However, the report should also be helpful to planning commissions, city council members, county supervisors and interested community groups and citizens to inform them of the variety of conservation resources available for their neighborhood stabilization and revitalization efforts.

Neighborhood Conservation Resources Handbook is comprised of six sections. Part 1 contains background information on neighborhood conservation. Significant terms and definitions are briefly explained. The major governmental agencies involved in housing and neighborhood conservation on the federal, state and local levels are identified, and major federal legislation is described.

Parts 2, 3 and 4 contain an extensive description of state, federal, and local financial resources which could be used in a city and/or county conservation program. Private programs and sources of funds are also described in Part 5. Financial resources focus on loans and grants to homeowners and landlords, mortgage insurance to encourage housing rehabilitation, and tax incentives for rehabilitation. Neighborhood business loans and grants and economic development assistance programs are also described. The primary agencies who are actively involved in administration of these programs are the California Department of Housing and Community Development (HCD), the California Housing Finance Agency (CHFA), the Federal Department of Housing and Urban Development (HUD), the Farmers Home Administration (FmHA); and the Small Business Administration (SBA). Local government resources (e.g. Marks-Foran) and private resources (e.g. foundations, banks and savings and loan associations) are also detailed. An attempt is made to describe programs that deal with the complete neighborhood environment, such as the Urban Reinvestment Task Force's Neighborhood Housing Services Program.

Part 6 of this report describes an assortment of additional neighborhood conservation mechanisms which can compliment the financial programs in a city or county conservation strategy. These resources focus on consumer protection provisions, such as pre-sale inspection of housing and occupancy permit ordinances, to home warranties and landlord security deposits for emergency repairs.

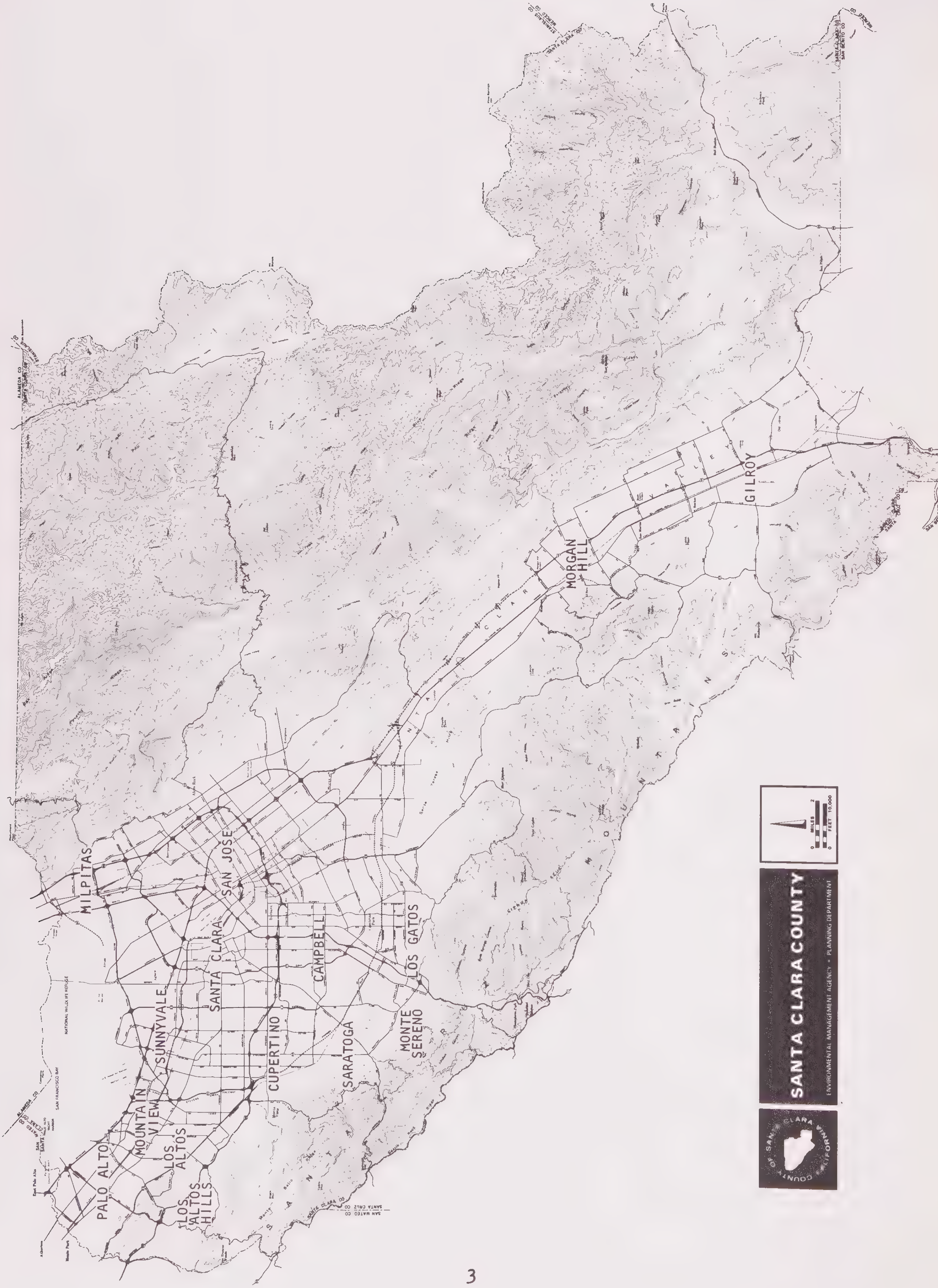
There are two other reports which are part of the Santa Clara County neighborhood conservation study. **Neighborhood Classification System** is an analysis of indicators and techniques used to determine the overall physical, social, and economic conditions and trends of the neighborhood. The report looks at various neighborhood classification systems which have been used around the country in terms of their applicability in Santa Clara County. A recommended classification system which best fits the conditions and needs of Santa Clara County is the primary product of this report. The system is recommended to be used so that a more coordinated, systematic, and logical approach to selecting neighborhood areas for conservation assistance, and successful linking of appropriate resources to them, can occur in Santa Clara County.

The final report, **Neighborhood Conservation Strategy**, is oriented toward the city and county government officials to assist them in their decision-making. The report describes a comprehensive process for neighborhood conservation and links a particular conservation technique or mechanism (as identified in **Neighborhood Conservation Resources Handbook**) with the appropriate type of area which could best be served by that particular conservation resource (as identified in the **Neighborhood Classification System** report). It also contains a neighborhood conservation resource matrix which illustrates the appropriate resources to deal with the conditions of different types of areas found in Santa Clara County. A related report printed in January, 1978, describes the current housing conservation efforts being implemented by cities within the county. It is titled **Housing Rehabilitation - A Summary of Housing Rehabilitation Programs Funded by the Community Development Block Grant Programs in Santa Clara County.**

These reports will assist city and county housing staffs and elected officials to not only formulate an overall comprehensive strategy to deal with neighborhood conservation but also will assist them in setting up specifications and programs which complement each other and collectively attempt to correct the neighborhod conservation problems which have been identified in the community.

Author's Note:

Neighborhood Conservation Resources Handbook was researched from July, 1977 to May, 1978. An effort was made to keep the data and information as up-to-date as possible. Because of the changing nature of programs, policies and personnel, certain resource descriptions or program characteristics may change once this report has been printed. More current information on each resource may be obtained from the contact person listed at the end of each resource description.


SANTA CLARA COUNTY
ENVIRONMENTAL MANAGEMENT AGENCY • PLANNING DEPARTMENT
MILPITAS
SAN JOSE
SANTA CLARA
SUNNYVALE
MOUNTAIN VIEW
PALO ALTO
LOS ALTOS
LOS ALTOS HILLS
CUPERTINO
CAMPBELL
LOS GATOS
SARATOGA
MONTE SERENO
MORGAN HILL
GILROY
NATIONAL WILDLIFE REFUGE
SAN FRANCISCO BAY

SANTA CLARA COUNTY, CALIFORNIA

Established 1850

General Law Cities	1975 Population
Campbell	25,108
Cupertino	22,023
Los Altos	26,260
Los Altos Hills	6,993
Los Gatos	23,882
Milpitas	31,666
Monte Sereno	3,111
Morgan Hill	8,882
Saratoga	29,150
Subtotal	177,075

Charter Cities	1975 Population
Gilroy	15,589
Mountain View	55,095
Palo Alto	52,623
San Jose	551,224
Santa Clara	82,978
Sunnyvale	102,154
Subtotal	859,663

County Unincorporated Areas	132,268
Subtotal - General Law Cities	177,075
Subtotal - Charter Cities	859,663
Total 1975 County Population	1,169,006

Source: Special 1975 Census

PART I
BACKGROUND INFORMATION ON NEIGHBORHOOD CONSERVATION

PART I - BACKGROUND INFORMATION ON NEIGHBORHOOD CONSERVATION

INTRODUCTION

The Neighborhood Conservation Resources Handbook contains many terms related to neighborhood and housing conservation, and refers to a variety of federal, state, and local organizations working in the field. Part I of this report presents background information which will assist the reader in understanding the terms and definitions used in the report. Part I also describes the major organizations and agencies who have neighborhood conservation related responsibilities. A description of major federal legislation influencing conservation activities is also included in this section.

TERMS AND DEFINITIONS

The following terms are used in the neighborhood conservation study. Because many of the terms are similar and are often wrongly interchanged, these definitions can be used for reference while reading this report.

Conservation

The protection of neighborhoods and structures from blighting influences and their continued maintenance in a safe, sound condition. In declining areas in which the majority of structures are not in need of major repairs, the prevention of further deterioration by improving or eliminating undesirable structures and other improvements in accordance with a community plan. This could include the effective enforcement of local building, housing, zoning and related codes. Major repair refers to non-cosmetic work, with costs usually above $5,000.

Rehabilitation

Repairs and improvements to a substandard residential structure necessary to make it meet local rehabilitation standards or housing codes. Structural rehabilitation may involve repair, renovation, conversion, expansion, remodeling or reconstruction of a housing unit.

Preservation

Repairs and improvements to structures in an area necessary to preserve the architectural or historic character of the structure or area in which it is located.

Rehabilitation Standards

The combination of local housing code standards and rehabilitation requirements which are established by a local public agency for properties to be rehabilitated.

Historic Rehabilitation Standards

The rehabilitation requirements which are established by a local agency for properties to be retained in a historic rehabilitation area. These requirements could include design guidelines, standards of aesthetics, the use of materials, the integrity of design and historic authenticity.

Housing Code

Official regulations establishing minimum standards of occupancy which housing units must meet to be occupied legally. Such codes usually govern spacial, ventilation, wiring, plumbing, structural and heating requirements. Housing codes normally apply to existing housing as distinguished from housing to be constructed.

Building Code

A state or locally adopted ordinance of regulations enforceable by police powers under the concept of health, safety and welfare controlling the design, construction, alteration, repair, quality of materials, use, occupancy and related factors of any structure within its jurisdiction. It may include the regulation of equipment and facilities installed in the building, such as electrical, mechanical, plumbing and heating equipment.

Revenue Bond

A bond issued to finance revenue producing facilities from which revenue is expected to repay the bonds. Revenue bonds are not backed by the full faith and credit of the governmental unit issuing the bond.

General Obligation Bond

A bond issued to finance a local agency's general financial obligations which will be repaid from general revenue sources such as taxes. These bonds do pledge the full faith and credit of the entity issuing the bonds for repayment.

Leveraging

In housing rehabilitation programs, leveraging occurs when an amount of city funds are used to create a larger commitment of loan funds from a private financial institution. To achieve the objectives of the rehabilitation program, these loan funds must be made available at below market costs to property owners. There are six basic factors, or levers, that determine the cost and availability of home improvement loans and one or more of these are manipulated in local leveraging arrangements. They are 1) the amount of the loan, 2) the interest rate, 3) the term of repayment, 4) the risk to the lender, 5) the cost of funds and 6) administrative and other direct costs.

General Law Cities

Cities which organize their government according to, and derive their powers from, acts of the state legislature. The fundamental law of these cities, the State Government Code, enumerates the powers of the municipal corporation and specifies the form of government which will put these powers to service. Over 80% of the cities in California are general law cities.

Charter Cities

The Constitution guarantees the charter cities a large measure of "home rule" granting to them, independent of the legislature, direct control over local municipal affairs. Charter provisions covering municipal affairs prevail over state laws when the two conflict. Charter cities tend to have more freedom to innovate and to adjust their ordinances to meet local needs.

Local Public Agency (LPA)

Official body enpowered to contract with the federal government for assistance in carrying out projects. A local public agency may be a state, county, municipality or governmental entity or public body (redevelopment authority, local housing authority) or two or more such entities authorized to undertake the project for which the federal financial assistance is sought.

GOVERNMENT STRUCTURE OF HOUSING

FEDERAL LEVEL

Federal Departments Involved in Neighborhood Conservation

HUD - Department of Housing and Urban Development

Area Office
One Embarcadero Center
Suite 1600
San Francisco, CA 94111
(415) 556-5900

Regional Office-Region IX
450 Golden Gate Avenue
San Francisco, CA 94102
(415) 556-5900

HUD was established by the Department of Housing and Urban Development Act of 1965. The overall purpose of the Department is to assist in providing for sound development of the Nation's communities and metropolitan areas. HUD is the primary federal department responsible for establishing housing policy, administering housing programs, distributing related funds to local units of government and monitoring those programs assisted with its funds. Neighborhood conservation and rehabilitation are primary goals of HUD. HUD is involved in community planning and development, housing production and mortgage credit, housing management, policy development and research, equal opportunities and fair housing, and federal insurance administration.

FHA - Federal Housing Administration
Department of Housing & Urban Development
San Francisco Area Office
One Embarcadero Center
Suite 1600
San Francisco, California
(415) 556-5900

The FHA is a division of HUD responsible for administering housing loans and insurance.

FmHA - Farmers Home Administration
Local Office
25 West First Street
Morgan Hill, California 95037

The Farmers Home Administration is a division of the US Department of Agriculture. The Agency makes loans for buying, developing, and operating family farms and other related rural development. They provide loans in rural areas to finance the purchase, development and rehabilitation of housing. Rural areas include open country and places with a population of 10,000 or less that are rural in character and not closely associated with urban areas. Loans can also be made in towns with populations between 10,000 and 20,000 that are outside standard metropolitan statistical areas if the Secretaries of HUD and Agriculature determines there is a serious lack of mortgage credit in those areas. There are many types of FmHA housing loans and each has different eligibility requirements. Because Santa Clara County is an urban area and a SMSA, FmHA programs have very limited use in the county.

URTF - Urban Reinvestment Task Force
1120 19th Street N.W.
Washington, DC 20036
(202) 634-1905

Jack Gallagher
600 California, Room 301
San Francisco, California
(415) 393-0705

The URTF was formed in 1974 to promote the development and implementation of Neighborhood Housing Services and other neighborhood preservation strategies. It is a joint effort of HUD, The Federal Home Loan Bank, and other federal agencies. Its work is carried out by the staff of the Office of Neighborhood Reinvestment of the Federal Home Loan Bank. Recent legislation recommends that the URTF be separated from HUD and become an independent corporation engaged in neighborhood revitalization activities.

Federal Information Center
450 Golden Gate Avenue
San Francisco, California
(415) 556-6600

The Federal Information Center can direct persons to the appropriate federal agencies who can then answer questions about federal programs, policies, or responsibilities.

STATE LEVEL

State Departments Involved in Neighborhood Conservation

HCD - Department of Housing and Community Development
921 Tenth Street
Sacramento, California 95814
(916) 445-4775
I. Donald Terner, Director

HCD is one of 10 departments in the Business and Transportation Agency of the state. HCD contains three divisions. The Codes and Standards division establishes and administers minimum standards for all housing. It carries out inspection programs and administers regulations which govern the construction of mobile homes and parks, factory built housing, and seasonable occupancy labor camps facilities. The division of Community Affairs provides technical help, including training for housing conservation programs, to local governments and housing developers. It operates a program to help Indians in housing matters; it administers federal Economic Development Administration grants to local governments; seeks to increase the housing supply in rural areas particularly for farm workers; and provides funds for housing through the Predevelopment Loan Fund, and the House Management Training Program. The Division of Research and Policy development is charged with developing a state housing policy and plan. It developes guidelines for local communities and reviews housing elements of local general plans.

OPR - Office of Planning and Research
1400 Tenth Street
Sacramento, California 95814
(916) 322-2318
William Press, Director

OPR is an office directly responsible to the governor's staff. It coordinates several planning and grant functions. It administers state laws pertaining to statewide planning; provides research for the governor in developing planning policy; administers federal funds and provides technical assistance for local planning activities, and acts as a clearinghouse for environmental impact reports, state plans and grant applications.

CHFA - California Housing Finance Agency
301 Capitol Mall
Sacramento, California 95814
(916) 322-3991
Frank M. Patitucci,
President

2351 Powell Street, Suite 502
San Francisco, California 94133
(415) 557-2740
Tom Harrison,
Neighborhood Presentation Officer
Katherine Crecelius

The CHFA was established by the Zenovich-Moscone-Chacon Housing and Home Finance Act on September 26, 1975. Its primary purpose is to increase housing opportunities for persons of low or moderate income throughout the state. In order to do this, the Agency sells revenue bonds and uses the proceeds to finance new or rehabilitate existing housing. No tax monies are used to finance the operation of the Agency. The Agency is the state's major implementor of housing assistance. The housing developments it finances offer housing to people who are most affected by the rapidly rising housing costs in the state. CHFA is authorized to make direct mortgage loans to developers for construction or rehabilitation of multi-unit mixed income housing; carry out a mortgage purchase program for low interest home loans; implement a Neighborhhod Presentation Program to make mortgage loans and home improvement loans in neighborhoods; and to insure bonds issued by local governmental units for neighborhood presentation programs authorized under Marks-Foran legislation.

LOCAL LEVEL

Neighborhood Conservation Related Agencies in Santa Clara County

County of Santa Clara Planning Department
Housing and Community Development Division
70 West Hedding Street
San Jose, California 95110
(408) 299-2521

The HCD division of the planning department has the responsibility to administer the "Urban County" Community Development Block Grant program which include a housing rehabilitation program in seven of the Urban County Cities. The planning department also has the responsibility to prepare and update the Housing Element of the General Plan and to conduct research on housing trends in the county.

Housing Authority of the County of Santa Clara
999 W. Taylor
San Jose, California 95110
(408) 275-8770

The Housing Authority has the responsibility for planning, financing, constructing, purchasing, leasing and managing low income public housing projects. It also provides

rental assistance and resources for low income families and provides referral and information services regarding low income housing.

County of Santa Clara
Fair Housing Coordinating Program (FHCP)
70 W. Hedding Street
San Jose, California 95110
(408) 299-3829

The FHCP was established on July 1, 1977, as a program funded by the Community Development Block Grant Program. Its activities are to coordinate existing fair housing services, to provide direct service where service gaps exist, to disseminate fair housing information, and to establish a central housing statistics bank. It also promotes the development of emergency housing, housing for migrant workers, and low and moderate income housing.

San Jose Housing Service Center
380 N. 1st Street
San Jose, California 95110
(408) 287-2464

The Housing Service Center is funded by the City of San Jose to provide information and assistance to its residents with housing problems. Counseling, legal advice, and research are offered to tenants, landlords and homeowners within the city. Tenants and landlords can obtain information about their rights and responsibilities at the Housing Service Center.

Housing Discrimination Programs

Public and private housing discrimination programs operate within the county and provide counseling or legal assistance to clients. These programs include the Midpeninsula Citizens for Fair Housing, Operation Sentinel, Palo Alto Rental Mediation Task Force, Community Legal Services, and the Mountain View Housing Mediation Program.

MAJOR FEDERAL LEGISLATION AFFECTING HOUSING CONSERVATION

Housing and Community Development Act of 1974 (HCDA)

This bill authorized over $11 billion for a wide variety of development and housing assistance programs, including the Community Development Block Grants (CDBG), Homesteading Demonstration Program, and Section 8 Housing Rental Assistance.

Housing and Community Development Act of 1977

This act changes aspects of the CDBG program and allows economic development of inner cities as an eligible project expense, creates the "Action Grant Program"; adjusts FHA mortgage insurance and savings and loan regulations; and adjusts the limits on Section 235 housing and flood insurance.

Community Reinvestment Act of 1977

This bill requires the Federal Reserve Board, Federal Home Loan Bank Board, and the Federal Deposit Insurance Corporation to report to Congress on how lenders are meeting the credit needs of their communities, including low income neighborhoods. The effective date of this bill has been delayed to allow the regulations to be drafted.

Federal Home Mortgage Disclosure Act of 1975

This legislation was enacted to provide public officials and citizens with information to enable them to determine if banks are fulfilling their obligations to serve housing credit needs. It requires commercial and savings banks, including savings and loan associations, to make information available by census tracts on mortgage loans originated or purchased by the lender in the communities it serves.

Urban Relocation & Real Property Acquisition Policies Act of 1970

The Urban Relocation Act provides for a number of types of relocation payments and for a broad range of relocation assistance and advisory services to displaced persons. It was passed to insure that persons displaced as a result of Federal and federally assisted programs should not suffer disproportionate injuries as a result of programs designed to benefit the public as a whole.

National Neighborhood Policy Act (under consideration)

In 1976, the Senate and the House considered passing this act to establish the National Commission on Neighborhoods. The commission would analyze governmental actions which affect neighborhoods, study obstacles to neighborhood reinvestment, analyze investment patterns of public and private institutions to determine impacts on neighborhoods, and evaluate community initiatives for reinvestment. They could then develop specific recommendations on these matters. Neighborhood groups are continuing efforts to get this legislation passed on the federal level.

PART II
STATE FINANCIAL RESOURCES FOR NEIGHBORHOOD CONSERVATION

PART II - STATE FINANCIAL RESOURCES FOR NEIGHBORHOOD CONSERVATION

INTRODUCTION

The following sections present a comprehensive description of state, federal and local government programs and legislation which can be used to implement a neighborhood conservation strategy in the county or in a city. Many programs are written in great detail because of their anticipated importance in being an effective neighborhood conservation resource. Others are written in less detail because they were found to have a limited impact when implemented, have less restrictive program requirements, or were judged not to be applicable for use in Santa Clara County.

State Programs and Legislation

Following the moratorium on federal housing rehabilitation and renewal programs in the early 1970's, the State of California enacted legislation which would enable local counties and cities to undertake rehabilitation and neighborhood revitalization activities. The major legislation enacted was the Marks-Foran Residential Rehabilitation Act which authorized counties or cities to undertake rehabilitation activities financed by revenue bonds. A similar program for historic rehabilitation was later enacted, and is known as the Marks Historic Rehabilitation Act.

Along similar lines, a state housing finance agency was also established in 1975 to assist in the development and rehabilitation of housing especially for persons of low to moderate income. The California Housing Finance Agency has developed a number of programs to assist local communities in their conservation efforts.

The California Department of Housing and Community Development administers a number of programs dealing with housing construction, rehabilitation, technical assistance and counseling. These programs, as well as other legislation dealing with taxing policies, discrimination and financial assistance, are the major elements of the state's neighborhood conservation efforts.

PROGRAM TITLE

RESIDENTIAL REHABILITATION LOAN PROGRAM, AS AUTHORIZED BY THE MARKS-FORAN RESIDENTIAL REHABILITATION ACT OF 1973

SB 1438, signed
October 2, 1973

Amendments

SB1495, 7-10-74
SB 2145, 7-2-76
SB 921, 9-20-77
SB 940, 9-20-77

PROGRAM DESCRIPTION

The Act authorizes the issuance and sale by cities, counties, housing authorities and redevelopment agencies or a combination of agencies, of revenue bonds and notes (pre-bond sale loan financing by a lending institution) not secured by the taxing powers of the agency for the purpose of making loans for residential rehabilitation in selected rehabilitation areas. Revenue bonds issued and sold cannot constitute a debt or liability on the local agency or a pledge of the faith and credit of the local agency. They must be repaid solely from revenues from the loans.

The program was originally developed to continue rehabilitation funding for local units of government when federal programs were reduced in 1972 and 1973. Currently with the availability of Community Development Block Grants, 312 rehabilitation loan funds from HUD, and the CHFA Neighborhood Preservation Program, the Marks-Foran rehabilitation loan program can serve to augment existing programs or be used independently in separate target areas. A major attraction of Marks-Foran is its flexibility which allows local governments to structure rehabilitation programs to special community needs. The amendments to the original legislation have strengthened the program by clarifying many program details and allowing local agencies to use the program in a number of different ways.

Owner occupied and investor owned residences are both eligible for financial assistance. Commercial properties within the target area which are considered to be an integral part of a residential neighborhood are also eligible. Loans may also be used to purchase homes previously rehabilitated by a redevelopment agency. All property owners in the target area may apply for loans. There are no specific income eligibility requirements, although owners must satisfactorily demonstrate an ability to repay loan. The Marks-Foran program is generally oriented to moderate and median income property owners because of the 6 1/2% to 7% interest rate on the loans. Lower income persons may be assisted through 312 and CDBG rehabilitation programs, or programs where CDBG funds subsidize Marks-Foran loans. A proposed bill (SB 966) would appropriate $5 million for deferred-payment rehabilitation loans in conjunction with the Marks-Foran or code enforcement program. This program would be administered by the State Department of Housing and Community Development.

The original legislation stated that rehabilitation loans could be made in designated target areas meeting local eligibility criteria or in designated redevelopment areas, as

determined by the local agency. Loans could also be made for residential rehabilitation in structures outside of target areas if a commitment is made that the structure would be occupied by low income persons for the duration of the loan. Rehabilitation of structures outside designated areas must be shown by the legislative bodies to be economically feasible and that the structure is located in a stable and viable residential neighborhood.

SB 940, an amendment to the Marks-Foran legislation which was passed in September, 1977, allows rehabilitation financing outside of the designated target areas if a program of systematic enforcement of rehabilitation standards is undertaken in areas outside of the target area where loans will be given. Systematic enforcement of rehabilitation standards must be a defined, documented process and not one which calls for inspections only on a complaint basis or an informal inspection process. It must be a formal, scheduled inspection process which will eventually cover the entire area where loans are to be given.

Within the target areas, the local agency must make a commitment that, subject to budgeting and fiscal limitations, applicable rehabilitation standards will be enforced in 95% of the residences in the target areas although there is no specific time period in which to meet this requirement. There also must be a commitment to install public improvements in accordance with an approved plan for the target area. A plan for public improvements outside of target areas is not needed.

LOAN CONDITIONS

Interest rates for the Marks-Foran bonds fluctuate depending on the current bond market. Interest rates on the loans are determined by the local agency and must be sufficient to repay the bonds and cover loan administration and servicing. Generally, the interest rate will be from 6% to 7 1/2%. Maximum loan is $35,000 per dwelling or commercial unit. The maximum repayment period for residential rehabilitation loans is 40 years or 4/5 the economic life of the property, whichever is less.

No more than 20% of any loan can be used for residential rehabilitation which is not required under the local agencies rehabilitation standards except for owner occupied 1-4 dwelling unit properties where up to 40% of the loan can be used for general improvements. Refinancing of an existing loan can be made only when the cost of meeting the rehabilitation standards is at least 20% of the principal amount of the loan. Included in the eligibie 20% can be costs previously expended for rehabilitation by the participating party. The Internal Revenue Service has ruled that only single family properties with no rental income derived from the property are eligible for re-financing.

Outstanding loans on the property, including the rehabilitation loan, cannot exceed 80% of the anticipated after rehabilitation value of the property with two exceptions. First, the local agency may authorize loans up to 95% of the after rehabilitation value of the property if the loan is for residential rehabilitation, there is a demonstrated need for a higher limit, and there is high probability that the value of the property will not be impaired during the term of the loan. Secondly, non-profit corporations may be authorized loans of 98-100% of the after rehabilitation value if units are committed for occupancy for the term of the loan by persons eligible for financial assistance by a governmental agency.

Rehabilitation loans may also be used to purchase small adjacent parcels of land from a public entity if necessary to bring a property into conformance with the residential rehabilitation standards. Property conversions to change a structure's use or the number of residential units may be financed by a rehabilitation loan only if conversion is necessary to meet rehabilitation standards, to eliminate a non-conforming use, or if there is an insufficient market for the property in its present form.

Rehabilitation standards may include code violations and incipient code violations. Incipient violations are conditions which are just beginning to cause problems and probably will become full code violations within two years.

ADMINISTRATIVE STRUCTURE--CITY, COUNTY, STATE, PRIVATE ROLES

Either a county, city, housing authority or redevelopment agency can authorize the issuance of Marks-Foran revenue bonds and bond anticipation notes. The entity which authorizes the issuance of the bonds will be designated the "local agency".

Local Agency Role

Under Marks-Foran legislation the local agency assumes the lead role in organizing, administering, and monitoring the program. It is responsible for assembling appropriate staff to set up and carry out the program and to assemble appropriate technical assistance, such as bond counseling, bond underwriters and other financial consultants, to issue the revenue bonds. The local agency may also develop loan processing and servicing agreements and other related arrangements with local lending institutions or handle the loan application process itself.

Although most of the loan processing and servicing can be performed by the local lending institutions, the local agency must monitor the progress of the program once it begins and be responsible for meeting legislative requirements. These requirements include the development of a residential rehabilitation financing program which includes an ordinance spelling out the details of the program, the establishment of a citizen participation mechanism, the development of appropriate rules and regulations for the program, and the development of a target area public improvement program. The local agency is also responsible for establishing a housing code enforcement process within the rehabilitation areas it designates and to adequately publicize the program within the rehabilitation target areas.

Specific program details, such as loan terms and interest rates, default and foreclosure processes, schedules for the construction of public improvements, target area designation procedures, citizen participation processes, public improvements and code enforcement processes are provided for in the local agency's Residential Rehabilitation Financing Program. They can be flexible and can be adjusted by the local agency periodically as the program progresses.

State Role

The State legislature established the Marks-Foran residential rehabilitation program in 1973 and the governor signed it into law that year. However, the implementation of the

program is strictly a local matter. The State role is to provide technical assistance to local agencies in setting up the program and offering bond insurance through the California Housing Finance Agency. The bond insurance will be a very valuable resource when setting up a local program since it will eliminate the need to seek FHA, PMI or other insurance.

Lending Institution Role

After the Marks-Foran administrative organization has been established by the local agency, lending institutions may be asked to process and service loans in accordance with established loan approval criteria if the local agency has decided not to service the loans itself. Depending on the arrangements made with the local agency, the lending institutions could be responsible for the successful implementation of many of the program elements, including the distribution of appropriate Marks-Foran information and application forms to prospective applicants through its branch offices; the provision of application assistance to interested program participants; the completion of necessary credit checks, appraisals and other services relating to the approval of the loan; the approval of the loan or the written notification to the local agency on the reasons for disapproval; and the servicing of the approved loans. The lending institutions may also direct potential applicants to other rehabilitation financial sources, such as CDBG rehabilitation loans or HUD's 312 loans, when appropriate.

Each participating lending instituion, loan servicer and program trustee must prepare an annual report on its program activities and submit it to the local agency. They must also make their program-related material available to the local agency's auditor.

Each participating lending institution must also comply with the specific requirements listed in the following legislation:

1. The Marks-Foran Residential Rehabilitation Act of 1973 (California Health Safety Code Section 37910-37964).

2. The Community Redevelopment Law (California Health and Safety Code Section 33100 et seq.).

3. The Real Estate Settlement Procedures Act of 1974 (12 USC 2601 et seq.) and Regulation X of the Department of Housing and Urban Development.

4. The Truth in Lending Act (15 USC 1601 et seq.) and Federal Reserve Board Regulation Z.

5. The Equal Employment Act of 1972, (5 USC 5108, 5314 - 5316; 42 USC 2000e et seq.).

6. The Fair Credit Reporting Act (15 USC 1681 et seq.).

7. The Equal Credit Opportunity Act (15 USC 1691 et seq.) and Federal Reserve Board Regulation B.

8. Home Mortgage Disclosure Act of 1975.

ESTIMATED COSTS OF THE PROGRAM

Most administrative and loan servicing costs can be paid by revenues obtained from loan re-payments. The interest rate of the loans is determined by the local agency and can be adjusted to cover the costs of administration of the program, loan servicing, defaults, and higher bond rates. The act does not authorize tax revenues to be used for the repayment of the bonds. In order to keep the interest rate low as an incentive for rehabilitation, it is recommended that administrative staff costs not directly associated with loan servicing be absorbed by the local agency. If the target areas are also CDBG rehabilitation areas, CDBG funds could be used for these administrative costs. Costs not eligible to be paid by the bond process are the design and construction of public improvements within the target areas.

Total expenditures for the program are estimated as follows:

	Estimated cost	Reimbursed by loan revenues
Initial local agency staff to set up program	$ 30,000+	Yes
Bond Counsel	$ 40,000 for one issue of bonds of approximately $10,000,000	Yes
Bond Underwriters	1% of the first $2 million par value, 3/4 of 1% for the next $2 million par value	Yes
Legal assistance (internal)	$ 10,000	Yes
Administrative staff for program (includes co-ordinator, secretary, housing inspector (s), outreach worker, bookkeeper/accountant)	$ 50,000 to $ 150,000 depending on size of program	Yes*
Auditing services (internal)	$ 15,000	Yes
Printing and mailing costs	$ 6,000 to $ 10,000	Yes
Design of public improvements	Varies according to local programs	No
Public Improvements	Varies according to local programs	No
Loan servicing fees	Part of loan	Paid by applicant

NOTE: These costs can vary substantially under different program circumstances. The above estimated costs are based on the Oakland California Program

* Not recommended to be paid by increasing the interest rate on the rehabilitation loans

STEPS BY THE LOCAL AGENCY NEEDED TO SET UP THE MARKS-FORAN

RESIDENTIAL REHABILITATION PROGRAM

1. Staff should determine the degree of support for the program by the County Supervisors, City Councils, Planning Commissions, and citizens of the community.

2. The County Board of Supervisors and the City Councils within the county must decide if a countywide program or many smaller city programs would be most appropriate within the county. The governmental agency which co-ordinates the program will be known as the "local agency".

3. If a countywide program is favored, agreements between the county and participating cities must be prepared and signed. The local agency then designates the appropriate staff persons to set up and administer the program and allocates the necessary funds for initial program administration.

4. The legislative body contracts for necessary assistance, such as bond counsel and bond underwriters, to provide for the issuance and sale of bonds or bond anticipation notes.

5. The staff developes a citizen participation process and timetable which fulfills program requirements to provide persons who will be affected by rehabilitation activities with opportunities to be involved in the planning and implementation of the program. The process could include an areawide citizens group which would work with the local agency to set up the program and review overall program elements and a target area(s) citizen advisory committee made up of property owners and residents of target areas which would work with the local agency on specific target area elements. The citizen participation process would be incorporated into the Residential Rehabilitation Financing Program.

6. Staff works with the areawide citizens group to establish criteria for selection of residential rehabilitation areas. The criteria would later be incorporated into the Residential Rehabilitation Financing Program. The criteria shall include findings by the local agency that:

   A. There are a substantial number of deteriorating structures in the area which do not conform to community standards for decent, safe, sanitary housing.

   B. Financial assistance from the local agency for residential rehabilitation is necessary to arrest the deterioration of the area.

   C. Financing of residential rehabilitation in the area is economically feasible (these findings are not required when the residential rehabilitation area is a redevelopment project area where the provisions of the Community Redevelopment Law apply).

7. Staff developes with the areawide citizen's group the rules and regulations for the program which both satisfies the requirements of the legislation as well as

incorporates locally desired program elements. The rules and regulations should include the following:

A. Eligibility

a. eligible rehabilitation costs
b. applicant eligibility
c. loan limits and terms
d. mortgage insurance and guarantees

B. Procedures for Processing Loans

a. Loan Application and Approval
b. Lending Process
c. Loan Settlement
d. Escrow Accounts and Disbursements
e. Loan Servicing and Impounds
f. Default and Foreclosure
g. Property Appraisal

C. Miscellaneous Provisions

a. Sale/Transfer of Property
b. Rehabilitation Outside of Designated Areas
c. Reporting and Auditing
d. Affirmative Action
e. Senior Citizens Housing
f. Relocation Assistance

D. Bonds

a. Issuance
b. Authorization
c. Limitation of Liability
d. Proceeds
e. Tax Status
f. Security

8. Staff collects data on potential rehabilitation areas and develops preliminary suggestions for target areas and other program elements with the areawide citizens group.

9. Staff gives informal presentation of the preliminary recommendations to the planning commission and the legislative body for information purposes.

10. Legislative body holds a public hearing to explain the Marks-Foran local residential rehabilitation financing program, to discuss potential rehabilitation target areas and to receive suggestions from the citizens and interested organizations on the program.

11. The local agency designates tentative rehabilitation target areas.

12. If a part of the citizen participation process, the legislative body appoints a citizens advisory committee composed of property owners and residents of the proposed target areas to oversee the program and to advise the local agency on target area program details. The areawide citizens group would do this if a target area committee was not established.

13. Staff develops new or modifies existing residential rehabilitation standards for rehabilitation activities within the target areas.

14. Staff determines if loan servicing should be handled by the local agency or a financial institution.

15. Staff establishes a system for interim loan financing (bond anticipation notes) if loans are to be given prior to the actual selling of the bonds or to continue loan processing once all the funds from the bonds have been allocated to loan applicants.

16. If the local agency is not going to service its loans, staff establishes a loan servicing system with the local lending institutions to process loan applications, service approved loans, and to prepare annual reports on the institution's progress in approving loans within the target areas.

17. Staff sets up loan insurance with FHA, PMI, or a local reserve account.

18. Working with the citizens advisory committee, staff develops a plan for public improvements for each residential rehabilitation target area with a commitment that, subject to budgetary and fiscal limitations, the plan will be carried out by the local agency.

19. Staff develops an ordinance which will formally establish a comprehensive residential rehabilitation financing program meeting program requirements which includes the citizen participation process, criteria and process for the selection of rehabilitation areas, rules and regulations of the program, and rehabilitation standards. Staff also develops other ordinances needed to set up the program.

20. At least seven days prior to the public hearing, staff mails information relating to the time and location of the public hearing, boundaries of the proposed rehabilitation target areas, and a general description of the program to all property owners and residents within the target areas.

21. Legislative body holds a public hearing at a time and place convenient to property owners and residents to officially discuss the Marks-Foran residential rehabilitation program.

22. Local agency's governmental body passes appropriate ordinances to establish the Marks-Foran residential rehabilitation program, including:

    A. Ordinance or resolution adopting a comprehensive residential rehabilitation financing program.

    B. Resolution establishing a program to provide a residential rehabilitation loan program within designated area.

    C. Resolution establishing guidelines for the implementation of the Marks-Foran residential rehabilitation program in the selected target areas.

    D. Resolution authorizing the issuance of the first set of negotiable bonds or notes for the program.

E. Bond resolution to fix fees, charges and interest rates for financing residential rehabilitation, including a process to adjust them to reflect changes in the interest rates of future bonds, losses due to defaults, loan servicing and administrative charges or other eligible charges.

F. Ordinance establishing a loan committee to review loan applications.

23. Staff establishes a process and schedule for publicizing and advertising the program within the target areas.

24. Local agency contracts for engineering, architectural, accounting or other services necessary for the successful operation of the program.

25. Staff makes appropriate code inspections on all structures whose owners have requested them and works with applicant to develop rehabilitation work write-ups.

26. The loan application process begins within the rehabilitation target areas according to the locally designed process.

27. Staff makes appropriate site inspections and inspections for certification of completion of rehabilitation work according to the local program requirements.

28. Staff monitors the progress of the rehabilitation program and revises procedures to facilitate implementation when appropriate.

ANTICIPATED PROGRAM RESULTS

Implementation of the Marks-Foran program within the county could have very significant results. Since the local agency determines the program rules and regulations, financial arrangements, eligible applicants and loan conditions, and also identifies rehabilitation areas based on its own criteria (while fulfilling legislative requirements), the program could have wide appeal if publicized properly. The program would be most useful in areas not previously eligible for rehabilitation assistance, areas which are beginning to show signs of deterioration or change. The program can also be used in areas where more visible deterioration is evident, but the property owner must be in a financial condition to be able to pay back a 6% to 7% 30 year loan. The program is not oriented toward the low-income property owner, unless Community Development Block Grant (CDBG) rehabilitation grants and loans, HUD 312 loans, interest subsidy or deferred payment loans are also available in the target area.

It is logical that an areawide approach to Marks-Foran rehabilitation be considered within Santa Clara County. The initial work to set up the program is considerable, especially the groundwork which must be done by staff to make arrangements with lending institutions for loan servicing, to sell bonds, to develop program details and ordinances, and to implement and monitor rehabilitation activities.

If the Marks-Foran rehabilitation program were to be implemented within the county, there are many options available on ways to structure the program. If the county is to become the lead agency in the administration of the program, agreements between cities interested in the program could be prepared which outline amounts of bond funds allocated to each city, the responsibilities for the administration of the program, the process by

which rehabilitation areas are selected, and other variables which the cities and the county want addressed in the agreement.

Rehabilitation target areas could be selected by the cities where they were located according to the process outlined in the legislation. The county could select the rehabilitation areas within the unincorporated areas. Target areas could be expanded as the program progresses.

Administration costs could be financed either from adjustments to the interest rates on rehabilitation loans or possibly with Community Development Block Grant funds if target areas were selected through the CDBG process. Using CDBG funds for administration expenses will reduce the interest rates on Marks-Foran loans. If all administrative costs were paid through fees, charges or increased percentages on loans interest rates as authorized in the legislation, the loan interest rate could rise to the point where rehabilitation incentives are lost. The Marks-Foran program is intended to provide loans at substantially less cost than regular market rate loans and therefore would be an attractive incentive for rehabilitation. If administrative costs can be paid by community development block grant funds, as is done in San Francisco and Oakland, the interest rates on the loans will be around 6 to 7 1/2%, well below the 10% to 13% market rate loans. If CDBG funds are used to subsidize the loan interest rate, eligible property owners could receive loans below 6% depending on the loan interest structure established. In CDBG target areas, Marks-Foran loans subsidized with CDBG funds could fulfill rehabilitation needs and free-up some CDBG funds for other activities.

It will be extremely difficult for each city in the county to set up, organize and implement their own Marks-Foran program. The smaller cities' staffs are already overburdened with existing functions and would find it an additional burden to handle the administration of the program. Even the larger cities not previously experienced in extensive rehabilitation programs will find the establishment of the Marks-Foran program to be complex and time consuming. Economies of scale suggest that administrative costs can be reduced with one central administration, with decisions on program details divided between the county and the individual cities. If a joint program can be set up with all interested cities and the county, the Marks-Foran program has the greatest potential for wide-scale success.

CONTACT SOURCES

For copies of the Marks-Foran legislation and its amendments, contact:

Legislative Bill Room State Capitol Sacremento, California 95814 (916) 445-2323	or	State Archives 1020 O Street Sacremento, California 95814 (916) 445-2832

No state agency has been assigned the responsibility to assist local communities in the formation of their Marks-Foran Residential Rehabilitation program.

San Francisco, Oakland, and San Pablo have established Marks-Foran programs in the Bay Area.

PROGRAM TITLE

SENATE BILL 940

Gregorio Housing Rehabilitation Amendment to the California Health and Safety Code regarding the Marks-Foran Residential Rehabilitation Act and the Zenovich-Moscone-Chacon Housing and Home Finance Act.
Approved by the Governor September 20, 1977.

PROGRAM DESCRIPTION

Under the Marks-Foran Residential Rehabilitation Act of 1973, local agencies are authorized to sell bonds and use the proceeds to make loans to finance residential rehabilitation outside designated residential rehabilitation target areas only if a commitment is made that the rehabilitated housing will be reserved for persons and families of low or moderate income who are eligible for governmental housing assistance. Senate Bill 940 amends existing legislation and allows residential rehabilitation outside of target areas in connection with a program of citywide or countywide systematic enforcement of rehabilitation standards.

Under the Zenovich-Moscone-Chacon Housing and Home Finance Act, the California Housing Finance Agency (CHFA) may agree to make mortgage loans for rehabilitation of housing developments in connection with a citywide or countywide program of enforcement of state and local building and housing standards. Senate Bill 940 authorizes local agencies and the CHFA to sell bonds and use the proceeds to make neighborhood improvement loans or mortgage loans for rehabilitation of residential structures or housing developments in connection with a citywide or countywide program of defined systematic enforcement of rehabilitation standards and would additionally authorize CHFA to provide loan insurance in connection with such a program. The bill requires that potentially affected owners and tenants be provided notice and an opportunity for participation in the development of objective criteria for the selection of dwelling units to be inspected and rehabilitated. The bill also revises the definition of rehabilitation standards for this program which are equivalent to the uniform housing code.

SB 940 allows greater flexibility in a local community's rehabilitation program by allowing rehabilitation financing outside of target areas if a citywide or countywide systematic enforcement of rehabilitation standards is undertaken. Therefore, the Marks-Foran type of rehabilitation can be applied countywide if desired. This allows a local government to be in a position to make home improvement loans available to those people interested in upgrading their property but were previously not eligible because their house was not in a target area. It also allows the government to be responsive to hardship cases where financial assistance can be given to elderly, low income or disadvantaged persons in need of assistance but who do not live in designated rehabilitation target areas. The flexibility allowed by this bill should be used to complement existing concentrated rehabilitation efforts and not replace them because in most cases only concentrated rehabilitation efforts conducted in cooperation with neighborhood groups will be successful in combating the forces which cause deterioration.

The CHFA is authorized to allocate funds for neighborhood improvement loans or mortgage loans for rehabilitation and provide loan insurance for rehabilitation in a countywide or citywide program of systematic enforcement of rehabilitation standards.

An application to participate in CHFA's Neighborhood Preservation Program would be necessary to secure CHFA assistance.

ADMINISTRATIVE STRUCTURE

The administrative structure of the rehabilitation programs under either the Marks-Foran or the CHFA programs would remain the same. The local agency still determines the location and character of the rehabilitation areas and program administrative details as outlined in both the Marks-Foran and CHFA programs. The local agency determines criteria for the selection or the order of selection of structures to be inspected in the systematic enforcement program. This is in addition to the community's concentrated enforcement of rehabilitation standards in one or more rehabilitation target areas. Opportunities for people affected by the program to be involved in the planning and operation of the program must be incorporated in the citizen participation process.

EXPECTED COSTS

The local agency must determine the additional work involved in a countywide or citywide systematic enforcement of rehabilitation standards. Depending on the size of the city or county being considered, costs for inspection and enforcement of the standards as well as providing financial assistance for rehabilitation must be absorbed by the local agency, according to Marks-Foran and CHFA program guidelines.

ANTICIPATED PROGRAM RESULTS

This bill fills a major "hole" in rehabilitation assistance available for a county or a city. The CDBG funded rehabilitation programs, the HUD 312 Rehabilitation Loan program, the CHFA Neighborhood Preservation Program and the Marks-Foran Residential Rehabilitation Program provide extensive assistance in designated target areas. This program provides financial assistance for rehabilitation outside target areas with some conditions. Cities and counties can now provide some type of housing rehabilitation assistance to any person living in the community if the person qualifies under the locally developed selection criteria for the programs. When a community has set up these programs to implement its housing conservation strategy, it will have enough financial tools to successfully give financial assistance to any eligible people interested in upgrading their residential property.

CONTACT SOURCES

For copies of SB 940, contact:

Legislative Bill Room
State Capitol
Sacramento, California 95814
(916) 445-2323

or

State Archives
1020 O Street
Sacramento, California 95814
(916) 445-2832

PROGRAM TITLE

CALIFORNIA HOUSING FINANCE AGENCY (CHFA)

Marks-Foran Bond Insurance as authorized by Gregorio Bill (SB 4x) of 1975

PROGRAM DESCRIPTION

CHFA is developing a program to insure locally issued Marks-Foran Residential Rehabilitation Bonds. The bond insurance program proposed is geared to the reduction of current barriers to the expanded use of Marks-Foran bonding authority by local entities. It is being developed in the context of the following principles:

1. To improve the security and marketability of proposed bond issues in widely varying local circumstances.

2. To minimize the net costs to the borrower for financing rehabilitation.

3. To minimize administrative costs and procedural difficulties or complications.

4. To maximize the cost-effective application of limited state resources to the problems of mortgage-deficiency, deferred maintenance, deterioration, and substandard housing conditions in depressed older declining areas of the state.

CHFA will insure the full face value of eligible Marks-Foran bond issues by using a portion of available reserve funds to guarantee about twenty times that amount in local bonds. It is estimated that an allocation of $3-4 million of reserves will be adequate to insure the projected demand of $60-80 million worth of local bonds issued over the next 3 to 4 years.

The CHFA's bond insurance program will consist of a commitment to transfer funds from its Marks-Foran Reserve Account to the issuer's Bond Reserve Account if ever loan defaults and delinquencies exceed default/delinquency reserves and thereby draw down the bond reserve account below stipulated levels. The transferred funds will be sufficient to return the bond reserve account to its stipulated level. Funds will be transferred back to CHFA whenever the default/delinquency reserve become sufficiently replenished to make such repayments. Should CHFA's reserves ever be called up to transfer to the local issuer's trustee, CHFA would review the local program activities and make recommendations to improve the program and loan repayment experience. Items to be reviewed would include:

1. local public investment in the affected neighborhood

2. local program support services

3. loan origination and servicing procedures

4. financial management practices and reinvestment programs.

ELIGIBLE ISSUERS

CHFA intends to make its bond insurance program available to no more than one entity in any local government jurisdiction. To qualify for CHFA bond insurance, prospective issuers of the bonds will be required to submit an application supported by certifications of the administrative, legal and financial aspects of the proposed local program and bond issue. These certifications would be required of generally recognized bond counsel, underwriters, issuer counsel, financial advisors, or the issuers depending on the situation. Certifications required by CHFA will in large part be those currently required in an official statement and will hopefully lead to a greater standardization of Marks-Foran issues and the market. Required certifications will include:

1. Legal consistency of program and bond issue with Marks-Foran Residential Rehabilitation Act (determination of need, local enactment of a residential rehabilitation program, a public improvements program, etc.).

2. Adequacy of administrative and program support to maximize effectiveness and minimize hardship (public improvements, code administration and counseling, relocation and hardship assistance, etc.).

3. Financial feasibility (including adequately substantiated projections of loan demand; cash flow projections incorporating projected organization, prepayments, delinquencies, defaults, and investment income).

4. Lawful authority of issuer to perform obligations under terms and conditions of indenture (including the binding obligation of revenues pledged to repayment of bond debt service).

5. Exemption of bond interest from California and personal income taxes and federal income taxes exempt as covered by Internal Revenue Code Section 103 (b) (7).

6. Adequate redemption clauses as other provisions to cover any potential problems of inadequate loan demand, loan repayments and the possibility of negative arbitrage (difference between bond interest rate and reinvestment rate).

7. Sufficiency of reserve levels, funding of reserves and reinvestment of reserves (including the default/delinquency reserve and bond reserves).

8. Standard loan origination and servicing provisions to be followed by the authorized mortgage lender (either the issuer or contracting entity). These provisions will include loan insurance requirements; credit and appraisal policy; collection, delinquency, and foreclosure policy; bidding, monitoring and disbursement policy.

9. Stipulation on loan portfolio mix as between secured mortgage loans, insured home improvement loans and loans in excess of 80% loan-to-value ratios.

10. Such other certifications as the Agency may from time to time require.

APPLICATION PROCEDURE

CHFA staff will review applications and certifications for bond insurance and will recommend acceptance or denial to CHFA Board based on the availability of CHFA reserves and the acceptability of the certifications. Prior to application for CHFA bond insurance the prospective issuer will have enacted the "Comprehensive Residential Rehabilitation Program"; they will have designated a specific area for Marks-Foran eligibility; they will have selected bond counsel, financial advisor, loan originator and servicer; and the local governing body will have adopted a bond resolution tentatively authorizing a bond sale.

Following the CHFA issuance of bond insurance, bonds will be sold, CHFA reserve funds will be transferred to a trustee-managed CHFA Marks-Foran reserve account, CHFA will receive and invest its fee, the local issuer will operate the program and submit annual reports, and CHFA will receive and review reports of disbursements, reimbursements, investments and program performance.

ESTIMATED COST

CHFA will charge the local bond issuing entity a one time front end fee calculated as a percentage of the bond sale proceeds for its insurance. Equivalent bond insurance from private insurers is now available only for general obligation or utility bonds.

STATUS OF THE PROGRAM

The CHFA Marks-Foran Bond Insurance Program has been under development during the first half of 1978. It is anticipated that reviews and approvals by the Housing Bond Credit Committee, the State Treasurer and the CHFA Board of Directors will be completed by summer 1978. Application forms should be available for interested local governments at that time.

ANTICIPATED PROGRAM RESULTS

Marks-Foran Bond Insurance will be offered by the CHFA in an attempt to improve the security and marketability of local bond issues for rehabilitation. Additionally, should reduce net costs to borrowers and minimize administrative and procedural complications.

CONTACT SOURCES

Specific information on this program can be obtained by contacting:

Frank M. Patitucci, President
California Housing Finance Agency
301 Capitol Mall, Suite 403
Sacramento, California 95814
(916) 322-3991

PROGRAM TITLE

CALIFORNIA HOUSING FINANCE AGENCY (CHFA)

NEIGHBORHOOD PRESERVATION PROGRAM (NPP)

As authorized by Zenovich-Moscone-Chacon Act (AB 1x) of 1975

PROGRAM DESCRIPTION

The Home Ownership and Home Improvement Loan Program in Neighborhood Preservation Areas, shortened to Neighborhood Preservation Program (NPP), is a program set up by CHFA as a supplemental source of loan funds to cities and counties engaged in housing and neighborhood improvement programs. Localities applying to the Agency and designated by the CHFA Board of Directors have access to funds from private lenders for a variety of below market interest rate loans for the purchase, rehabilitation and refinancing of eligible residences.

These loans are intended to be compatible with comprehensive local housing programs directed at revitalizing specific neighborhoods, improving housing condition and increasing home ownership opportunities for low and moderate income households.

TYPES OF DESIGNATION

The Agency differentiates two different kinds of areas. Concentrated Rehabilitation Areas are neighborhoods in which some of the housing stock is in the early stage of deterioration and the CHFA and the local government have determined that a program of code enforcement, capital improvements, local loans or grants and other public and private support is necessary. Mortgage Assistance Areas are generally large areas, including entire local jurisdictions, in which the housing stock is mostly standard but affordable mortgage financing is necessary to help low and moderate income households achieve home ownership.

Localities applying for designation of one or more concentrated rehabilitation areas are eligible for Tandem mortgage assistance designation for the surrounding areas. Localities, including those with no local rehabilitation program, may also apply for mortgage assistance designation only.

ELIGIBLE LOANS

Loans provided under the NPP must be insured and can be used to:

1. purchase
2. purchase and rehabilitate
3. refinance and rehabilitate, or
4. rehabilitate alone.

All loans purchased by CHFA must be on eligible residences which do not exceed the maximum sales prices established periodically for the area.

Generally, in Concentrated Rehabilitation Areas loans are made to owners of 1-4 unit residences regardless of income or whether or not they occupy the structure. However, for loans to purchase structures which will not be occupied by the owner, the structure must have been vacant and for sale for at least 90 days prior to making application for the loan. Investor owners must also agree to rent limitations.

Generally, in Mortgage Assistance Areas loans may be made only to owners who are moderate income or below and who occupy single-family units. Loans may be made to developers of rental housing in combination with Federal Section 8 rental subsidy. Such developers must be approved by the CHFA. Except for developers approved by the CHFA, borrowers are eligible for one CHFA loan only.

LOAN TERMS

Loans are made to eligible borrowers by banks, savings and loans, or mortgage bankers who contract with CHFA as participating lenders. Loans are purchased by CHFA with proceeds raised from the sale of tax-exempt bonds. This enables the CHFA to offer borrowers below market interest rates. During the first half of 1978, the CHFA's rates for mortgage loans was about 7% for a 30 year term. The borrower also pays a loan origination fee and mortgage insurance premium.

All CHFA loans must be insured by FHA or private mortgage insurance companies (PMI's) or guaranteed by VA. Downpayments for loans purchased by CHFA vary according to the type of insurance or guarantee used and the income or occupancy status of the borrower. For mortgage loans insured by a PMI for single unit residences occupied by the owner, the minimum downpayment will generally be 10%. However, such loans may be made with 5% downpayments in instances in which the borrower meets applicable credit standards of the lender and PMI. All other types of loans insured by an PMI will have a 20% minimum downpayment. Lenders have information on downpayment requirements for FHA insured and VA guaranteed loans.

Home improvement loans purchased by CHFA are made by lenders under provisions of the FHA Title I program. This program presently allows a maximum loan of $15,000 for a maximum 15 year term for single-family dwellings. CHFA bond financing permits a pass-through to the borrower of a below market interest rate. For the first half of 1978 this was 8 1/2% including all fees and loan insurance premiums. This program is designed to enable localities to make interest subsidy payments to make the loan more affordable to lower income households. Inasmuch as the CHFA interest rate base is lower than market rate offered by private lenders, localities achieve benefits of leveraging.

ADMINISTRATIVE STRUCTURE

City-County Role

A city or a county can apply for designation as a NPP area. The jurisdiction, once it has been accepted for NPP, will be involved in several administrative functions. The jurisdiction will be responsible for advertising the program; work with the private lender

in marketing the program; in preliminary screening and counseling of individual loan applicants; and will refer the loan applicant to the appropriate private lender for formal loan processing. Additionally, the local government will be responsible for providing agreed upon services and public improvements and fulfilling obligations stated in the original contract with CHFA.

CHFA Role

The CHFA is responsible for overall city-county-private lender-state coordination, and will continually monitor the progress of the program once implementation begins. The CHFA will not provide any administration at the local level. The cities and local lending institutions are responsible for all implementation activities once the program has been set up. However, the CHFA will set up the financial lending structure for the program with the local lending institutions.

Private Lending and Insuring Institution's Role

The participation of the private sector is essential to the success of the CHFA Neighborhood Preservation Program. Private Lenders participating in program will be involved in placement and servicing of loans to all eligible borrowers. This will include loan processing, determining credit worthiness of applicant, approving and servicing the loans, and assisting in program publicity and advertisement. Private lenders will sell individual loan "packages" to CHFA, but continue to service loans. The package must include a variety of loan certifications to insure statutory compliance.

ESTIMATED COST

Since the program will primarily be used in existing Community Development Block Grant funded rehabilitation areas where city staff will already be performing similar activities, minimal additional cost to the city would be expected. Staff that would be needed would include a financial analyst, rehabilitation specialist, and a person to coordinate public improvement and program activities. Staff will be provided by the local government.

STATUS OF PROGRAM

The CHFA Home Ownership and Home Improvement Loan Program in Neighborhood Preservation Areas started January, 1978. A total of $90 million in commitments was accepted from 36 lenders to originate mortgage loans for sale to CHFA in 17 designated localities in the state by July 15, 1978. Subsequently a master agreement was signed with Security Pacific Bank to implement the Title I home improvement loan program under separate agreements with each locality. At the end of March, 1978, CHFA had sold two bond issues totalling $75 million as part of a series of sales intended to provide continuous funding for the program. The Agency has set aside an allocation of the bond proceeds for concentrated areas and for rehabilitation loans to insure a balance between the home ownership and neighborhood revitalization objectives.

During the first half of 1978, the NPP is in a test phase of what is intended to be an ongoing and expanding program. The results of the first months of operation are being

monitored closely and corrections are being made to insure that the program is equitable and responsive to local housing needs.

It is anticipated by the summer of 1978 additional commitments will be accepted for presently participating and additional lenders to originate commitments beyond the first $90 million. These commitments will be made to continue funding to the 17 originally designated localities in the state as per their agreement with CHFA, plus phasing in localities which were tentatively designated previously.

Bond issues will be sold periodically to fund these commitments within the legislative authorization, subject to revenue demands for the Agency's other programs and considerations relating to the State's credit.

It is expected that the CHFA will be in a position to accept applications for designation of new localities by the summer of 1978. Processing will proceed under criteria and priorities established by the CHFA Board periodically, especially as results from the first phase of program operation become available.

STEPS BY CITY OR COUNTY NEEDED TO SET UP THIS PROGRAM

As of Spring, 1978, CHFA is not accepting applications for designations for its NPP. However, the CHFA does anticipate being able to do so by the summer of 1978. The Agency's program staff is available to explain the CHFA's programs and assist in evaluating how they might fit into the locality's overall housing strategy. In localities receiving entitlement CDBG funds, this evaluation can take place as part of the on-going CDBG planning and budgeting process with opportunity for citizen input.

The steps which a locality might wish to undertake leading to a possible application should include.:

1. Evaluation of their present CDBG target areas in terms of rehabilitation and neighborhood improvement needs in the context of present program resources.

2. Consideration of how CHFA financing might be integrated into present programs, especially in terms of (a) serving the needs of the moderate income population; (b) expanding local capability to undertake more costly rehabilitation, including rehabilitation and refinance, and (c) providing below market interest rate purchase mortgage financing for home ownership opportunity.

3. Evaluation of the leveraging possibilities of local funds with CHFA funds.

4. Evaluation of the incremental staffing requirements, if any, to participate in the CHFA program.

5. Exploration of advantages of participating in other CHFA programs including Marks-Foran bond issuance, the multi-family direct lending program with HUD Section 8, and the HUD/CHFA Neighborhood Strategy Area program.

If, after consultation with the CHFA, the locality elects to proceed with an application for designation, it will be necessary for them to justify their need for the program and complete certain processes. While these are subject to change, they should include: data

on the proposed neighborhood; descriptions of the code enforcement program, rehabilitation financial assistance programs, capital improvements program; staffing projections, and a marketing plan. Prior to a designation vote by the CHFA Board of Directors, the local governing body must approve the designation after a citizen participation process. Applicable environmental procedures must also be met.

ANTICIPATED PROGRAM RESULTS

It is expected that the CHFA Neighborhood Preservation Program will provide localities financial leveraging with minimal incremental staffing costs due to private sector involvement. The leverage potential functions in two ways. First, the CHFA introduces a pool of loans monies for rehabilitation, refinance and purchase that would not otherwise be available. Second, the home improvement loan can be subsidized on a flexible, less costly basis than such subsidization from market rates.

The available loans at below market interest rates of 7 - 8 1/2% are shallow subsidies and consequently are oriented toward moderate income families. They will not be of great assistance to communities attempting to meet the rehabilitation loan needs of very low and low-income families. However, when combined in a total program of grants and various interest rate loans based on income using a multitude of financing sources (CDBG, 312 loans), the NPP package would help provide a comprehensive set of loan options for various levels of client needs. The lower interest rate mortgage loans, however, provide long-term home financing that is typically not available from any other source nor to any group, except perhaps veterans.

CONTACT SOURCES

Specific information on the CHFA programs can be obtained by contacting the staff of CHFA in either Sacramento or San Francisco.

Frank Patitucci, President
California Housing Finance Agency
301 Capitol Mall, Suite 403
Sacramento, California 95814
(916) 322-3991

Tom Harrison, Neighborhood Preservation Officer
Katherine Crecelius
California Housing Finance Agency
2351 Powell Street, Suite 502
San Francisco, California 94133
(415) 557-2740

PROGRAM TITLE

MARKS HISTORIC REHABILITATION ACT OF 1976

Approved by the Governor on September 29, 1976

PROGRAM DESCRIPTION

The law authorizes the issuance of bonds and bond anticipation notes by a city, county, redevelopment agency or combination of agencies for financing historic rehabilitation or refunding such bonds or notes. The bonds are repaid by revenues obtained from the loans. These bonds do not constitute a debt or liability or a pledge of the faith and credit of the local agency. The purpose of the Act is to provide financing for the preservation of historic property as designated by an official local historic preservation board, a local agency legislative body, or the State Historic Resources Commission. Buildings listed on the National Register of Historic Places are also eligible.

Historic rehabilitation can involve the reconstruction or repair of interiors or exteriors of properties or their relocation for purposes of restoring or preserving their historical or architectural authenticity, preventing their deterioration or destruction, continuing their use, providing for their feasible reuse or providing for the safety of the occupants or passersby.

A local agency can designate a "historic rehabilitation area" as an area in which a historic rehabilitation financing program shall apply. The area can encompass the entire jurisdiction or any portions of the local agency, including single parcels.

The local agency may provide financing to any participating party for the purpose of historical rehabilitation and may set specific architectural and engineering standards which the rehabilitated property must meet. In addition, the local agency is authorized to fix, revise, charge and collect interest and principal and all other rates and charges for the program and may be adjusted to provide sufficient funds for the repayment of the bonds or notes, maintain adequate reserve funds as required by the program, and pay operating and administrative costs of the local agency in the administration of the program.

ADMINISTRATIVE STRUCTURE

Cities, counties, cities and county, or a redevelopment agency may authorize the issuance of negotiable bonds or bond anticipation notes for historical rehabilitation. The entity that authorizes the issuance of the bonds is designated the local agency.

Local Agency Role

The local agency is responsible for setting up the historical rehabilitation program. In most respects, the local agency's role is the same as in the Marks-Foran Residential Rehabilitation program. It must authorize the issuance of bonds, set up the mechanism for loan approval and servicing, and pay back the bonds when due. The local agency sets fees, charges and interest rates for the program and may adjust them when needed. It may employ or contract for services, such as bond counsel, bond underwriters, auditors,

engineering, architectural economic feasibility or other services it finds necessary to administer the program.

Lending Institution Role

Depending on the local agency's needs, lending institutions can have a small or large part in the implementation of the program. If the local agency services its own loans, lending institutions will not be significantly involved. If agreements are made for the lending institutions to process and service the loans, they must then provide application assistance to interested program participants; distribute program information and applications through its branches; perform necessary credit checks, appraisals and other services relating to the approval of the loan; work with the local agency on loan approval according to the locally established guidelines, and service the loans.

ESTIMATED COSTS OF THE PROGRAM

Administrative and loan servicing costs could be paid by revenues obtained from loan payments, the interest of which adjusted to accommodate these expenses plus defaults and higher bond rates. Lower interest rates can be achieved if administration expenses are funded through other sources. The act does not obligate the local agency to levy or pledge any form of taxation to gain revenues to pay back the bonds. Total expenditures for the program are estimated as follows:

	Estimated Cost	Reimbursed by Loan Revenues
Initial local agency staff to set up program	$ 20,000	Yes
Bond Counsel	$ 20,000 for one issue of bonds of approximately $ 5,000,000	Yes
Legal Assistance (Internal)	$ 3,000	Yes
Administrative staff for program (includes coordinator, sectretary, housing inspector (s))	$ 15,000 to $ 50,000 depending on size of program	Yes*
Auditing Services (Internal)	$ 10,000	Yes
Printing and mailing costs	$ 1,500	Yes
Design of public improvements	Varies according to local programs	No
Public improvements	Varies according to local programs	No
Loan servicing fees	Part of loan	Paid by applicant

NOTE: These costs can vary substantially under different program circumstances

* Not recommended to be paid from loan revenues

MAJOR PROGRAM REQUIREMENTS

There are two major tasks which must be performed before bonds can be issued. These are the adoption of a historical rehabilitation financing program and the development of a citizen participation process.

Historical Rehabilitation Financing Program

Prior to the issuance of any bonds or bond anticipation notes of the local agency for historical rehabilitation, the legislative body shall by ordinance or resolution adopt a historical rehabilitation financing program. The program shall include, but is not limited to, the following items:

1. Criteria for the selection of historical properties eligible for financing. Such criteria may include, but are not limited to:

   A. Architectural significance:

      a. Structures or areas that embody distinguishing characteristics of an architectural style, period, method of construction, or architectural development in a city or county.

      b. Notable works of a master builder, designer, or architect whose style influenced the city or county's architectural development, or structures showing the evolution of an architect's style.

      c. Rare structures displaying a building type, design, or indigenous building form.

      d. Structures which embody special architectural and design features.

      e. Outstanding examples of structures displaying original architectural integrity, structurally or stylistically, or both.

      f. Unique structures or places that act as focal or pivotal points important as a key to the character or visual quality of an area.

   B. Historical significance:

      a. Sites and structures connected with events significant in the economic, cultural, political, social, civic, ethnic, or military history of the community, state, or nation.

      b. Structures or areas identified with the lives of historical persons or a community, state, or nation.

      c. Sites and groups of structures representing historical development patterns, including, but not limited to, urbanization patterns, railroads, agricultural settlements, and canals.

2. Criteria for the selection of historical rehabilitation areas. Such criteria may include, but are not limited to:

   A. Areas constituting a distinct section of the city and having special character, historical, architectural, or aesthetic interest and value.

   B. Areas providing significant examples of architectural styles of the past, or landmarks in the history of architecture.

   C. Areas serving as a reminder of past eras, events, and persons important in local, state, or national history, and illustrating past living styles for future generations to observe, study, and inhabit.

   D. Historical and culturally significant grounds, gardens, and objects.

3. Following the adoption of the criteria as provided for in subdivisions A and B, the designation of one or more historical rehabilitation areas, including a description of the area, a map and other related information.

4. Procedures for the selection and financing of rehabilitation projects. Such procedures shall be subject to the following limitations:

   A. Outstanding loans on the property to be rehabilitated, including the amount of the loans for rehabilitation, shall not exceed 80 per cent of the anticipated after-rehabilitation value of the property.

   B. The maximum repayment period for historical rehabilitation loans shall be 40 years or four-fifths of the economic life of the property, whichever is less.

   C. No less than 90 per cent of any loan for historical rehabilitation shall be used for historical rehabilitation, as defined in this part.

The historical rehabilitation financing program may also include:

1. A requirement that rehabilitation financed by the program shall meet standards higher than the applicable state or local standards for rehabilitation of properties, including, but not limited to, design guidelines, standards of aesthetics, use of materials, integrity of design or historical authenticity.

2. A provision for limitation of the degree or kind of historical rehabilitation eligible for financing, including, but not limited to, rehabilitation of parapets or dangerous parts of facades of historic properties.

3. A requirement that the local agency receive a legally binding assurance that the property rehabilitated with financing from this program shall be preserved, subject to reasonable conditions. The form and conditions of such assurance shall be specified in a historical rehabilitation financing program.

4. A capital outlay program for the historical rehabilitation area which identifies the public improvements needed to support private rehabilitation efforts. Such improvements may include street improvements, street closures, street fixtures, and landscaping.

5. If the program is likely to result in anticipated increases in rents or other housing costs which would cause displacement of residents of historic properties, or is likely to result in residents paying a disproportionately large percentage of their incomes for housing, a commitment that the local agency shall make efforts to prevent displacement of residents must be made. Such efforts shall include, but are not limited to, utilization of federal, state, or local funding programs which may be available for rent subsidies.

6. A provision for control of rents in order to prevent precipitous increases in rent which the rehabilitation would engender. Such provision may include a requirement that the borrower agree during the term of the loan not to raise the rental amount over an amount which the local agency establishes as a fair rate of return for similar investments. The provision can allow for rent increases that are reasonably necessary to provide for proper maintenance of the property.

Citizen Participation Process

Prior to the adoption of a historical rehabilitation financing program and the designation of a historical rehabilitation area, the local agency will provide for maximum citizen participation by persons who will be affected by historical rehabilitation. This will include opportunities to be involved in the planning and implementation of the historic rehabilitation program. Citizen participation shall include, but is not limited to:

1. Holding a public meeting to inform the public of the proposed historical rehabilitation financing program.

2. Holding a public hearing prior to the adoption of the historical rehabilitation financing program and the designation of a historical rehabilitation area.

3. Public notice by the local agency, at least seven days in advance of a public meeting or hearing, in a newspaper of general circulation in the area, of the time and place of a meeting or hearing and a general description of the program.

4. Dissemination by the local agency, at least seven days in advance of a public meeting or hearing, by mailing to those individuals or groups which have requested notification, of information relating to the time and place of a meeting or hearing and a general description of the program.

5. Establishment of a citizen advisory board for the purpose of providing recommendations to the legislative body on the contents of the historical rehabilitation financing program. Members of the citizens advisory board shall be appointed by the legislative body and shall include one or more representatives of owners of properties affected by the program, one or more representatives of residents or occupants of properties to be affected by the program, one or more representatives of the local community groups known by the legislative body to be concerned with historical rehabilitation, and others as the legislative body may deem appropriate. An existing local official historic preservation board or commission may be appointed as the citizens advisory board, provided that, in addition, representatives as required by this section are also appointed.

STEPS BY THE LOCAL AGENCY NEEDED TO SET UP THE

MARKS HISTORICAL REHABILITATION PROGRAM

1. Determine local legislative, planning commission and community support for the program.

2. Designate the appropriate staff persons to set up and administer the program and allocate the necessary funds to accomplish this.

3. Contract for necessary assistance, such as bond counsel and bond underwriters, to provide for the issuance and sale of bonds or bond anticipation notes.

4. Analyze the area and determine general areas of historical significance.

5. Develop a citizen participation process which fulfills program requirements to provide persons who will be affected by rehabilitation with opportunities to be involved in the planning and implementation of the program.

6. Establish a citizen advisory board to help provide recommendations to the legislative body of the local agency on the contents of the historical rehabilitation financing program.

7. Develop a preliminary historical rehabilitation financing program with citizen input which lists the criteria for the selection of historical properties eligible for financing, criteria for the selection of historical rehabilitation areas, and program rules and regulations.

8. Develop initial historical rehabilitation target areas with citizen groups.

9. Give an informal presentation of preliminary recommendations to the planning commission and legislative body for information purposes.

10. Give public notice of a public meeting at least 7 days prior to the meeting in a newspaper of general circulation in the area.

11. Mail notification of the public meeting at least 7 days prior to the meeting to all persons or groups which have requested notification.

12. Hold a public meeting to inform the public of the proposed program.

13. Develop historical rehabilitation standards for rehabilitation within target areas.

14. Establish a loan servicing system with local lending institutions to process loan applications, service approved loans, and to prepare annual reports on the institution's progress in approving loans within the target areas.

15. Establish a system for interim loan financing if loans are to be given prior to the selling of the bonds or to continue loan processing once all the funds from the bonds have been allocated to loan applicants.

16. Set up a loan insurance program with FHA, PMI, or a local reserve account, whichever is desired.

17. Give public notice of the public hearing at least 7 days in advance of the public hearing in a newspaper of general circulation in the area.

18. Mail notification of the public hearing at least 7 days prior to the public hearing to persons or groups which have requested notification.

19. Hold a public hearing on the adoption of the historical rehabilitation finance program and the designation of historical rehabilitation area.

20. Pass appropriate ordinances or resolutions by the local agency to establish the Marks Historical Rehabilitation Program, including:

    A. Ordinance establishing a program to provide a historic rehabilitation loan program within designated area.

    B. Ordinance or resolution adopting a comprehensive residential rehabilitation financing program.

    C. Ordinance designating specific historic residential rehabilitation areas.

    D. Resolution for the issuance of the first set of negotiable bonds or notes for the program.

21. Once bonds have been sold, fix fees, charges and interest rates for financing historical rehabilitation and develop a process to adjust them to reflect changes in the interest rates of future bonds, losses due to defaults, loan servicing and administrative charges or other eligible charges.

22. Create and maintain reserves required or provided for in any resolution authorizing such bonds.

23. Establish a process for publicizing and advertising the programs.

24. Employ engineering, architectural, accounting, or other services necessary for the successful operation of the program.

25. Begin the loan application process within the rehabilitation target areas.

26. Make appropriate inspections on all structures whose owners have requested historical rehabilitation loans and work with applicant to develop rehabilitation write-ups. (Once applicant has an approved loan, the applicant is responsible for hiring a contractor.)

27. Make appropriate site inspections and inspections for certification of completion of rehabilitation work according to the local program requirements.

28. Monitor the progress of the rehabilitation program and revise procedures to facilitate implementation when appropriate.

ANTICIPATED PROGRAM RESULTS

No city or county has issued bonds for this program. San Francisco is currently in the process of investigating its use within the city. If a city or county had the administrative structure established for other rehabilitation programs (CDBG or Marks-Foran), this structure could be used to set up and operate the historic rehabilitation program. Since the program is locally oriented, structures of historic or architectural significance are determined locally using general guidelines within the act. Therefore, within the county, different periods of development are both architecturally and historically significant. The program can be tailored to preserve sections of houses built in the 1800's or ones built in the 1970's, since they reflect a distinct period of the county's history. Naturally, careful attention should be given to the selection of areas for historical rehabilitation since the property must be restored to the original particular style of the structure. Different sets of historic rehabilitation standards may have to be developed for different periods of architecture.

Because much work has to be done at the beginning to set up the program and the loan volume would not be as great as in other rehabilitation programs, economies of scale might warrant the program to be set up and administered on a countywide basis with individual cities establishing their own historical rehabilitation target areas. This would relieve the cities of the burden of program set up and administration. In addition, by having a number of cities participating together, the expected loan volume would be high enough to make the program feasible. Because of loan volume for small historic areas within cities would be low, the initial work load for city staffs in setting up the program probably would be greater than the smaller cities could realistically handle.

CONTACT SOURCES

Information on the Marks Historic Rehabilitation Program can be obtained from:

Fred Hart
Senator Milton Marks Office
350 McAllister Street
Room 2043
San Francisco, California 94102
(415) 557-1437

PROGRAM TITLE

THE SALE OF TAX DELINQUENT RESIDENTAL PROPERTY

As authorized by AB1414

Signed by the Governor on September 28, 1977.

PROGRAM DESCRIPTION

This bill authorizes non-profit organizations to purchase tax deeded residential property for the purpose of rehabilitation and sale to low income persons. The existing law regulating the sale of tax delinquent property has been changed to allow non-profit organizations to file with the County tax collector and Board of Supervisors a written objection to the sale of any "tax deeded" residential property, and purchase the property itself. The organization will then rehabilitate it and sell it to a low income person. Once the non-profit organization pledges to pay a price equal to that approved by the Board of Supervisors, they will have the right to purchase the property and the tax collector cannot proceed with the public sale of the property. Contractual conditions are imposed on the sale of the property to insure the completion of the rehabilitation within a reasonable time and to maximize the benefit to low income persons. Redemption rights on the property are granted to the state if rehabilitation does not occur within two years.

The property only becomes available for auction after a five year redemption period during which time the property owner's possession is undisturbed. After this period, the taxing agency has the authority to execute a deed on the property giving absolute title to the state. In the past, this property would then be sold by the local agency at a public auction to any person with the consent of the Board of Supervisors. The state or any local public entity would file written objections to the sale if the property is considered necessary for a public purpose and thereby acquire the rights to purchase the property itself. This law changes that system to allow non-profit organizations to have priority rights for the property's purchase.

ADMINISTRATIVE STRUCTURE

Local Agency Role

The local tax collector must monitor all delinquent residential property and instigate proceedings after the five year redemption period, as is normally done. Once public notice is given for the auction of the property, the tax collector must give priority to any non-profit organization willing to pay the price set by the Board of Supervisors. They must process all the paperwork for the sale of the delinquent property, which they do as part of their current work load. The tax collection agency is the agent for the state.

State Role

The state technically takes over the property if no non-profit organization has filed with the local tax collector to purchase the property. The state then authorizes the sale of the property at an auction if the property is not needed by the state or a local public entity for a "public purpose".

Non-Profit Organization Role

Any eligible non-profit organization interested in rehabilitation of tax delinquent housing should contact the tax collector to be informed of future auctions of such housing. The organization would be responsible then for securing financing for the purchase and rehabilitation of the structure. If the housing is located in a rehabiliation target area, funds to assist in the rehabilitation may be available.

EXPECTED COSTS

There are no additional costs to the local public agency. The sale of a rehabilitated dwelling will place the structure back on the tax roles and will provide future tax revenues for local units of government.

ANTICIPATED PROGRAM RESULTS

The bill will have very limited impact in Santa Clara County. It will be most useful in cities with more severe housing and economic conditions. Only a few residential structures have been auctioned in Santa Clara County the past 10 years since most delinquent property with structures has had its back taxes paid during the five year redemption period. The bill will have the most impact in urban cities where some neighborhoods have high amounts of tax delinquent properties.

CONTACT SOURCES

Copies of AB 1414 can be obtained at:

Legislative Bill Room
State Capitol
Sacramento, California 95814
(916) 445-2323

or

State Archives
1020 O Street
Sacramento, California 95814
(916) 445-2832

No state agency has been assigned the responsibility to provide technical assistance to communities on this bill.

PROGRAM TITLE

RELOCATED DWELLINGS

SB 1072 - HOLDEN

Signed by the Governor on September 15, 1977

PROGRAM DESCRIPTION

SB 1072 allows a relocated dwelling to be considered an existing building for rehabilitation purposes and would also allow the establishment of a local housing appeals board to hear appeals regarding residential abatement actions and zoning requirements related to room additions. The present law permits the continued use of original materials and methods of construction in the rehabilitation of existing dwellings so long as hazardous conditions are eliminated, but applies new construction standards to dwellings which are moved to a new location. SB 1072 applies the same standards to relocated dwellings as are applied to other rehabilitated dwellings by requiring local jurisdictions to permit the retention of existing methods and materials. It also eliminates the requirement that relocated buildings be brought up to code in room dimensions. This provision effectively precludes rehabilitation of many structures because code required room dimensions have increased over the years and such "repairs" are usually prohibitively expensive.

Section 105 of the Uniform Building Code, which is adopted by most local agencies, requires that all buildings or structures which are moved must comply with the code requirements for new buildings. Many usable buildings have been demolished rather than relocated because the expense of reconstruction to current codes is prohibitive. This amendment helps to preserve some of our existing housing stock by making it financially feasible to move houses to new lots and rehabilitate them. The law requires the new foundations of relocated structures to comply with present day codes.

The bill also provides for the establishment of local housing appeals boards or for placing that function in existing local appeals boards. These local appeals boards are presently authorized to hear appeals regarding the application of building codes and to grant relief from the application of such regulations. The housing appeals board would hear appeals from owner-occupants regarding zoning ordinances which restrict the construction of additional rooms and hear appeals regarding abatement actions on owner-occupied dwellings. The housing appeals board would have the authority to grant a variance from zoning requirements in order to permit room additions to owner-occupied dwellings. They would also be authorized to provide for deferral of the effective date of abatement orders on owner-occupied dwellings in cases of extreme hardship. Any deferral of abatement actions granted would terminate upon the sale or transfer of the dwelling by the owner-occupant. The powers of other governmental agencies to grant local zoning variances is not affected by this legislation.

ESTIMATED COSTS

The establishment of a new housing appeals board would require some funds for staff processing of appeals and board functions. If a local appeals board currently exists, no additional expenses other than increased workload would be expected.

STEPS NECESSARY FOR IMPLEMENTATION

1. Determine if a housing appeals board is needed in the community.

2. Determine the board's role, administrative structure, and appeal process.

3. City Council passes an ordinance establishing a Housing Appeals Board and designates its membership.

4. The housing appeals process is started and monitored to determine areas where the process could use improvement.

5. The board's findings are implemented and monitored for compliance.

ANTICIPATED RESULTS

Given the cost of new construction, disincentives to rehabilitation should be removed wherever possible so long as health and safety standards are not compromised. The housing appeals function is useful in mitigating the effects of the rising cost of housing and its short supply, particularly for low and moderate income homeowners.

Local zoning ordinances sometimes limit the dwelling size to a percentage of lot coverage. This tends to restrict room additions and may result in forcing a family to move to a larger dwelling rather than add to its present dwellings. This law would allow growing families to add rooms to existing dwellings rather than undertake the expense of moving to a new, larger dwelling, often with a mortgage at a substantially higher interest rate. This variance would be subject to the discretion of the appeals board, however, and applicants would have to make a case for receiving a variance.

The housing board would also hear appeals from owner-occupants to defer the effective date of abatement orders in cases of extreme hardship. Often persons are displaced with no alternative but to move into more dangerous quarters because adequate housing is not available. Some accessible appeal, outside the enforcement agency is needed. Limiting the appeals to owner-occupants will avoid getting the boards embroiled in tenant-landlord disputes. The result would be that owner-occupants who would be forced into less adequate, more dangerous housing would be able to make a case for being allowed to live in more suitable existing quarters, either until other arrangements can be made or those quarters can be brought up to standard condition.

CONTACT SOURCES

Copies of SB 1072 can be obtained at:

Legislative Bill Room
State Capitol
Sacramento, California 95814
(916) 445-2323

or

State Archives
1020 O Street
Sacramento, California 95814
(916) 445-2832

No state agency has the responsibility to provide technical assistance to communities on this bill.

PROGRAM TITLE

CAL-VET HOME IMPROVEMENT LOAN PROGRAM

PROGRAM DESCRIPTION

Improvement loans are available to veteran contract purchasers who desire to improve or maintain their homes. Loans must be used to meet local structural health and safety requirements, or to install energy efficient equipment. Room additions, landscaping, painting, and the addition or repair of accessory improvements or recreational facilities are not eligible under this program. The current available low interest rate is 5.6%, which is the same rate available to veterans to purchase homes. An improvement loan must be for at least $300, but not more than $10,000. The term of the loan will be established by the loan amount and the veteran's ability to pay, to a maximum of 10 years.

ADMINISTRATIVE STRUCTURE

Local Agency Role

A local agency may disseminate information on the Cal-Vet Program to assist eligible veterans as part of its housing conservation program.

State Role

The state administers the program through the Department of Veterans Affairs in the Division of Farm and Home Purchases.

Applicant Role

Eligible applicants must apply for a Cal-Vet home improvement loan at the local Cal-Vet Loan Offices.

ESTIMATED COST

There are no costs to the local agency.

ANTICIPATED PROGRAM RESULTS

The Cal-Vet loan program offers eligible veterans a below market interest rate (BMIR) loan in which to repair or improve their home. Veterans who undertake a home improvement project may receive a 5.6% BMIR loan, as opposed to a 11-15% market conventional loan. This program may serve as an additional source of financial assistance to be utilized to maintain and upgrade neighborhoods.

CONTACT SOURCES

For information on Cal-Vet Home Improvement loans, contact:

Cal-Vet Local Loan Office
68 N. Winchester Boulevard
Santa Clara, California 95050
(408) 277-1281

Cal-Vet Information Office
San Francisco, California
(415) 557-1566

PROGRAM TITLE

FARMWORKER HOUSING GRANT FUND

As Authorized by Assembly Bill 920, Chapter 927

Approved by the Governor on September 20, 1977

PROGRAM DESCRIPTION

The Zenovich-Moscone-Chacon Housing and Home Finance Act authorizes the California Department of Housing and Community Development (HCD) to make grants to non-profit corporations, cooperative housing corporations and local public entities for the rehabilitation, construction, operation and administration of housing assisted by the Federal Government. AB 920 is an amendment which authorizes HCD to make grants for the rehabilitation and construction of housing, including land acquisition and necessary support facilities, for agricultural employees and their families. Non-profit housing corporations, stock cooperatives, and specific units of government (cities, counties, housing authorities, redevelopment agencies, state agencies, and special public districts) would be eligible for the grants. The amount of any grant must be matched by the grantee with Federal monies, other cash investments, sweat equity, or other in-kind contributions. No part of a grant may be used for project organization or planning.

The intent of the legislation is to facilitate the rehabilitation and construction of permanent dwellings for year-round occupancy and ownership of the sites where the dwellings are located. Rental projects and facilities meeting seasonal agricultural needs are also encouraged to be rehabilitated or constructed.

Types of units eligible under this program are conventionally-constructed housing units, factory-built units constructed in accordance with the provisions of Part 6-Division 13 of the Health and Safety Code, and mobile homes constructed in accordance with provisions of the National Mobile Home Construction and Safety Standards Act of 1974.

AUTHORIZED PURPOSES

Grants may be made for required expenses incurred in the process of developing new or rehabilitated housing. Eligible grant expenditures include, but are not limited to, the acquisition of land including title insurance and escrow fees, option monies, and other related costs; fees for professional architectural, engineering or legal service; development processing costs including building permit and application fees, bonding fees, loan discounts and fees; repayment of seed-money related to a proposed housing development; costs of site and off-site preparation including related water, sewer and other utility development; and costs to construct or rehabilitate the housing development, including landscaping, and costs to develop related support facilities. There are some limitation on the eligible expenses, such as engineering architectural, legal and loan packager fees. In most cases, expenses can not exceed prevailing rates for that service.

STATUS OF PROGRAM

The bill appropriated $2,625,000 from the general fund for the Farmworker Housing Grant Fund, but only $1.3 million has been allocated for the program. No more than $125,000 may be used by the department for administrative expenses. Grants will be available after January 1, 1978.

ADMINISTRATIVE STRUCTURE

State Role

The California State Department of Housing and Community Development administers the program. The department's responsibilities include the approval of grants to eligible recipients, the regulation of rental rates of assisted projects to assure affordable rents for tenants, the determination of standards for the selection of tenants by the grantee, and the development of standards for the subsequent purchasers of housing assisted by the grant. The housing assisted by the grant cannot be sold without the approval of the department and the sale must follow program guidelines. There are other administrative requirements that HCD must comply with regarding reporting procedures, inspection, and processes for approving grants.

Grantee Role

The grantee must absorb all organization and planning costs for the construction or rehabilitation of a structure, secure all financing, contract for rehabilitation, and sign and follow the rules and regulations of the grant agreement. The grantee begins the process by submitting a preapplication form to HCD and, if approved, submits a final application. The applicant is responsible for meeting program requirements, such as environmental clearances and local, state and federal requirements, including non-discrimination and affirmative action certificates and programs. The grantee must follow all program site selection and architectural criteria in its project or will be ineligible for the funds.

STEPS NECESSARY TO SECURE A GRANT

1. Eligible applicants shall determine its projects, secure financing, then prepare a request for a grant to the California Department of Housing and Community Development using a Farmworkers Housing Grant Preliminary Application Form. The preliminary application will require the following information:

    A. Description of the proposed site and available utilities.

    B. Description of the proposed improvements.

    C. Preliminary estimates of the cost of the various construction components.

    D. Preliminary information regarding the financing of the housing development, including the amount of state grant needed.

    E. Proposed rents and use of subsidies, if any.

F. Income limits of families to be served.

G. Existing or proposed legal composition of sponsor organization.

H. Current financial statement of sponsor.

I. Other information as appropriate.

2. Preliminary applications for grant funds will be reviewed by the administrator of the fund and other HCD staff, as appropriate.

3. Completed preliminary applications will be submitted to the Grant Committee for preliminary approval or disapproval.

4. Grant applicants will be notified in writing of the committee's action. If the committee approves the preliminary application for a grant, the letter to the applicant will contain any conditions which the committee has placed on the grant. The applicant will also be informed of the requirements for completion and submission of the final application to the Department. If the committee has rejected the grant application, the letter will include the reason for the rejection.

5. The grant applicant, receiving preliminary approval by the committee, must complete the final application within 90 days or, in the event of unreasonable delays, may be required to re-submit its application for preliminary approval at a later date. The content of the final application package will vary with the type of supplementary funding utilized to finance the proposed housing development.

   A. In the use of Farmers Home Administration (FmHA) Funds, applicant shall submit to HCD two copies of the final FmHA loan docket together with:

      a. A copy of the grant request resolution by the authorized officials of the grantee organization.

      b. The original grant agreement between grantee and grantor executed by authorized officials of grantee organization.

      c. Environmental Clearances - The department reserves the right to assess the adequacy of Environmental Impact Reports of Negative Declarations relative to the requirements of the California Environmental Quality Act (CEQA). (Not applicable for rehabilitation projects.)

   B. When Farmers Home Administration Funds are not used, and applicant will utilize either private loans and/or its own assets combined with a state grant, the applicant shall submit to the department two copies of the following items which will constitute the final application:

      a. A plot plan and detailed plans and specifications.

      b. A detailed cost breakdown for such items as land acquisition, site development, construction, equipment, utility connections, financing, fees and furnishings if such are to be included.

c. Information on the method of construction and on the architectural, engineering, and legal services to be provided.

d. Satisfactory evidence of review and approval by the required state and local officials.

e. A market analysis that includes the characteristics of the persons eligible for occupancy, including income and financial condition, and an estimate of the number of eligible occupants willing and able to occupy the proposed housing.

f. A description and justification of any related facilities to be financed by the loan and/or grant.

g. A schedule of the rents proposed for the housing units.

h. Detailed operating budgets for the first year's operation and for a typical year's operation that should include an allowance for vacancies and nonpayment of rents, the accumulation of a reserve at the rate of 1% per annum of the value of the project, and a separate listing of all applicable federal, state and local taxes.

i. Narrative statements of the proposed manner of managing the housing and information on the qualifications of the prospective manager.

j. A statement of the policy regarding management and operation, including method of tenant selection, proposed lease and grievance procedures, job descriptions of the employees, and proposed rules and regulations for the project.

k. A satisfactory survey of the land.

l. Copy of grant request resolution by authorized officials of the grantee organization.

m. Grant Agreement between grantee and grantor executed by authorized officials of grantee organization (original).

n. Environmental Clearances - The Department reserves the right to assess the adequacy of Environmental Impact Reports or Negative Declarations relative to the requirements of the California Environmental Quality Act (CEQA).

6. In order to close on a grant, a grantee is required to execute a Grant Agreement with the Department which will contain, but not be limited to, the following covenants:

   A. To maintain the housing development assisted by the grant continuously for, and to give an absolute priority for occupancy to, agricultural employees and their families.

B. To modify all deeds pertaining to the real property of the housing development to contain the restrictions required by Section 7236 of these regulations.

C. To agree to submit to HCD for prior approval the rent schedule and all proposed rent increases for the units.

D. To accept the criteria for tenant selection as determined by HCD.

E. To accept the terms of occupancy agreement as prescribed by HCD.

F. To provide bilingual services and publications as necessary for occupants of the assisted housing.

G. To allow HCD, its agents or employees, to enter upon and inspect the lands, buildings, and equipment of a grantee at any time during or after construction or rehabilitation of units assisted by the grant.

H. To maintain the housing development assisted by the grant in way to protect the public interest and the health, safety, or welfare of its occupants.

I. To maintain a reserve account of one per cent (1%) per annum of the total development cost of the housing development up to an amount equal to ten per cent (10%) of the total development cost.

7. Contribute to fullfilling social and economic factors such as serving households with the greatest need for government assistance for housing, utilization of manpower and economic development programs, or other significant programs.

EXPECTED COSTS

The local government entity will not be effected by this program unless it acts as a housing sponsor and requests a grant. In that case, the amount of the grant would have to be matched by the local government entity according to program guidelines.

ANTICIPATED PROGRAM RESULTS

The Farmworkers Housing Grant Program could be a potential source of funds for the rehabilitation of rural housing in the county. The amount of funds appropriated for the State is small when compared to the need. If the program is successful, the amount of funds will probably be expanded in future years.

CONTACT SOURCES

The California Department of Housing and Community Development has been assigned the responsibility to administer the Farmworkers Housing Grant Fund. Contact:

Sal Solinas
Farmworkers Housing Grant Fund
Department of Housing and Community Development
921 Tenth Street
Sacramento, California 95814
(916) 445-0836

PROGRAM TITLE

PROPERTY TAX EXEMPTION FOR HOUSING REHABILITATION

Senate Bill 514 (Marks). An Act to amend Sections 251 and to add Sections 229 and 268 to Revenue and Taxation Code.

Signed by Governor, 1977. Subject to voter passage of a State Constitutional Amendment. Defeated in June 1978, but may come before voters again at a later date.

PROGRAM DESCRIPTION

SB 514's purpose is to encourage the use of available rehabilitation funds and to provide incentive for homeowners to repair or improve their homes. This bill allows the exemption from property taxation, for a period of five fiscal years, the portion of the value of a dwelling unit which exceeds the value of the unit prior to the rehabilitation. This sum cannot exceed $15,000 per dwelling unit. An exemption for any further rehabilitation is not allowable during the five fiscal years of first exemption.

Additionally this bill provides that neither an appropriation is made nor an obligation created for the reimbursement by the state to any local agency for any revenue lost by it as a result of the exemption of property from taxation.

ADMINISTRATIVE STRUCTURE

City-County Role

The City-County role is limited to adjustments within the assessor's department to accommodate rehabilitation exemption claims and to make necessary appraisals on the value of the structure before and after rehabilitation.

Role of Individual Claiming Deduction

Any person who intends to claim residential rehabilitation exemption must, prior to commencing work, file an affidavit with the assessor that the property is within an eligible area, as defined in the legislation, and that the rehabilitation work will commence within six months.

ESTIMATED COSTS

The current staff of the local agency must make appropriate appraisals on the property and adjust the tax assessing system to accommodate the exemptions.

CONDITIONS NECESSARY FOR EXEMPTION

1. Rehabilitation must be repairs or improvements to a dwelling which will make the dwelling decent, safe, and sanitary and which are necessary to bring property up to applicable state and local building and housing standards.

2. Exemption only applies to property located in area which is:

   A. Designated by a local agency as part of its Community Development Block Grant program.

   B. Designated by a local agency as an area of neighborhood revitalization where the agency is committing its own funds.

   C. Designated a Neighborhood Preservation Program area as authorized by California Housing Finance Agency.

   D. Designated a historic preservation area under a local, state, or federal historic preservation program.

STEPS INCLUDED IN EXEMPTION PROCESS

Upon determination that conditions listed above exist:

1. Homeowner desiring to claim tax exemption must, prior to commencing rehabilitation work, file affidavit with assessor that such property is located within an eligible area and that rehabilitation will start no later than six months after filing the affidavit.

2. Assessor, upon receipt of the affidavit, determines the full value of dwelling before rehabilitation.

3. After completion of rehabilitation work, the owner of such property may file a claim with the assessor for the exemption. A claim may be filed at any time but not later than March 15 preceding the first fiscal year for which exemption is claimed.

4. The assessor, upon receipt of claim for exemption, must determine full value of property and increased value attributable to eligible rehabilitation work.

5. Upon completion of assessor's appraisal, the owner may claim property tax exemption.

ANTICIPATED PROGRAM RESULTS

The State Legislature in enacting this bill believed the property tax exemption would serve to encourage the use of local, state, and federal rehabilitation programs and thereby contribute to housing conservation.

It is believed that by creating a property tax deferral assessment program to be used in neighborhood rehabilitation areas, people will be encouraged to rehabilitate their property, improve neighborhood conditions, and stabilize declining neighborhoods.

CONTACT SOURCES:

Copies of SB 514 can be obtained from:

Legislative Bill Room
State Capitol
Sacramento, California 95814
(916) 445-2323

or

State Archives
1020 O Street
Sacramento, California 95814
(916) 445-2832

No state agency has the responsibility to provide technical assistance to communities on this bill.

PROGRAM TITLE

SENIOR CITIZEN'S PROPERTY TAX ASSISTANCE

HOMEOWNER'S PROPERTY TAX ASSISTANCE LAW

PROGRAM DESCRIPTION

Property tax assistance is available to homeowners 62 years of age or older who have been residents of California on or before January 1st of the year claimed, have owned the home for the full year between July 1st and June 30th, and have a household income under $12,000.

Homeowners who qualify receive from the state a payment for a portion of the property tax on a home depending upon the value of the home and the homeowner's income. The assistance allowed is a percentage of the property tax assessed on the first $8,500 of the home after the homeowner or veteran's exemption is deducted. State assistance payments vary from upwards of 90% of taxes for persons making less than $3,600 a year, to 4% assistance for persons making $12,000.

The claim must be filed with the Franchise Tax Board between May 16th and August 31st following the year claimed.*

ANTICIPATED PROGRAM RESULTS

Senior citizens who often are living on a fixed income, but find their property tax burden increasing, can receive assistance under this program. The reduced tax burden will allow senior citizens to pay for other necessary household items, including home maintenance and repair.

Assistance to renters is also available under this program.

CONTACT SOURCE

For information on Senior Citizens Property Tax Assistance and other programs for Senior Citizens, contact:

Senior Citizens Programs
P.O. Box 1588
Sacramento, California 95807
(916) 355-0453

* Subject to change pending revisions in state and local tax laws resulting from the passage of Proposition 13 in the 1978 primary election.

PROGRAM TITLE

DENIAL OF INCOME TAX DEDUCTIONS ON SUBSTANDARD RESIDENTIAL PROPERTY

Assembly Bill 475 (Brown) Enacted into law as Chapter 238, Statutes 1974.

Signed by Governor in 1974.

PROGRAM DESCRIPTION

This act denies state income tax deductions for taxes, interest, amortization, and depreciation to landlords who maintain "substandard rental housing." The deductions are disallowed after a finding of violation by a local regulatory agency followed by a notification of noncompliance to the California Franchise Tax Board (FTB).

Owners of substandard rental housing have six months after the initial violation notice, or from the time prescribed in the notice, to bring the property up to code compliance before deduction withholding action is undertaken. At this point the regulatory agency shall mail to the taxpayer a "notice of noncompliance." This notice informs the housing owner of code noncompliance and advises the owner that, unless an appeal is filed, the substandard condition must be corrected within ten days or the FTB will be notified and steps will begin to deny the state income tax deductions to the landlord. Appeals by property owners can be made to the regulatory agency. Upon notification to the FTB of such noncompliance, the FTB will disallow deductions from the date of the notice of noncompliance until the date the regulatory agency determines that the structure has been brought up to code compliance.

Notices of noncompliance should not be mailed if rental housing was substandard as a result of a natural disaster, or if owner has been unable to secure home improvement financing because of redlining, as determined by the local regulatory agency.

ADMINISTRATIVE STRUCTURE

The city agency which is responsible for building inspections and code compliance programs is designated the "local regulatory agency."

Local Regulatory Agency Role

Assembly Bill 475 can be utilized by linking it with a city's ongoing housing inspection and code enforcement program. The regulatory agency must reorganize its notification and appeal process for substandard property to include provisions for AB 475, and establish necessary administrative staff and mechanisms to operate the program. Included in the process should be methods for violation notification, noncompliance notification, appeals, Franchise Tax Board notification and compliance (property brought up to standards) notification to the FTB.

State Franchise Tax Board Role

After notification from local regulatory agency that a property owner has not brought the property up to compliance in the allowed time, the FTB will disallow from state personal income tax, bank and/or corporate income tax, deductions for interest, depreciation, or taxes attributable to such substandard structure.

ESTIMATED COSTS

If a city is already actively involved in a code enforcement program, there will be minimal additional expenses for the city. Minor costs for administrative paperwork can be expected as well as greater work responsibilities for building inspectors and appeals boards.

PREVIOUS CONDITIONS NECESSARY BEFORE THIS ACTION/PROGRAM CAN OCCUR

1. A local building inspections and code compliance program must be in effect and a local appeals board must be functioning.

STEPS NECESSARY FOR IMPLEMENTATION BY LOCAL REGULATORY AGENCY

1. Secure appropriate forms and program information from nearest Franchise Tax Board office.

2. Adapt existing inspection procedures and all inspection forms to include provisions for AB 475 (e.g. on initial violation notices to owners of substandard housing, a warning on the possibility of deduction disallowance should be included).

3. Develop a notification and mailing system (using FTB forms when applicable) for initial violation, noncompliance, indication of noncompliance to FTB, and compliance notices. Include detailed timetable for all correspondence and deadlines.

   A. **A Model System**

      a. Building Inspector's department developes list of all properties which have been in noncompliance for six months since the violation notice was sent. The owner's name, mailing address, block and lot number should be entered on the list.

      b. Superintendent or chief official determines what cases should be forwarded to FTB.

      c. Owner should be informed of noncompliance and sent copy of state "noncompliance" form, which indicates that he/she has ten working days to comply before FTB is notified. The appeals process available to the owner should be indicated.

d. FTB should be mailed noncompliance forms on all properties that have been denied relief in appeals process or have not appealed the action.

e. At such time as owner corrects deficiencies, the state "compliance" form should be sent to both the owner and the FTB.

4. Organize appeal process which gives the rental housing owner the opportunity for a hearing before the regular code deficiency appeals board.

5. Institute and maintain a filing system which will permit building inspectors and program administrators knowledge on current status of all properties which have had code violations.

ANTICIPATED PROGRAM RESULTS

It is the objective of this legislation to deny tax benefits to owners of substandard rental housing who refuse to improve their property or correct code deficiencies. Cities using AB 475 have an extra enforcement tool for pressuring rental housing owners to maintain property.

The city of San Francisco has a fully operational system for implementing AB 475. As of late 1975 when the program was initiated, the Bureau of Building Inspection has issued 1,922 notices of noncompliance to owners. There have been 989 appeals (269 denials), and a total of 1,053 cases actually referred to Franchise Tax Board for action. Of those structures which have been in noncompliance since initiation of program, approximately 75 per cent have been brought up to acceptable property standards. These owners receive compliance notification and have tax benefits restored by FTB.

Utilization of AB 475, therefore, is another supplemental action geared toward a total housing conservation effort.

CONTACT SOURCES

Copies of AB 475 can be obtained from:

Legislative Bill Room
State Capitol
Sacramento, California 95814
(916) 445-2323

or

State Archives
1020 O Street
Sacramento, California 95814
(916) 445-2832

Information and forms can be obtained from:

California Franchise Tax Board
1921 I Street
Sacramento, California 95814
(916) 355-0370

PROGRAM TITLE

STATE PREDEVELOPMENT LOAN FUND

Section 41185-88 of the California Health and Safety Code

PROGRAM DESCRIPTION

The State Department of Housing and Community Development (HCD) administers the Urban Housing Predevelopment Loan Fund. Through this program loans are made available to public agencies and non-profit corporations, including cooperatives, for a variety of predevelopment expenses incurred in securing long-term financing for the production or rehabilitation of subsidized housing. This program is for housing in urban areas for low-income households. HCD also administers a Rural Predevelopment Loan Fund that operates in rural areas under essentially the same guidelines.

Loans may be used to purchase land and land options; architectural, engineering, and legal services; permit and application fees; bonding; site preparation, including water and sewer development for a particular project; and other similar expenses. Loans may not be used for administration or construction or full site development. For purposes other than acquiring land or an option on a site, loans are limited to $50,000. Loans for options or contracts to purchase may not exceed 10 per cent of the purchase price of a site. Loans for site acquisition will be determined by HCD. Loans may be made for a maximum term of two years and bear 7 per cent interest, with lowered rates in cases where very low income families will be unable to afford the rental cost of proposed units.

The housing to be built or rehabilitated must primarily serve persons or households with annual incomes not more than 80 per cent of the area's median income. In addition, housing payments may not exceed 25 per cent of the applicant's adjusted income.

ADMINISTRATIVE STRUCTURE

Local Agency Role or Applicant Role

A local governmental agency, along with non-profit corporations or cooperatives who are undertaking a home construction or rehabilitation project, may apply and receive a 7 per cent loan (lower in some cases) for predevelopment expenses. Applications submitted to HCD will be reviewed by a loan committee composed of HCD officials. Those receiving loans must submit to HCD a borrowing resolution; a loan agreement; a promissory note; and security instrument(s). Multi-family housing projects developed with the Federal Housing Administration, California Housing Finance Agency, or Farmers Home Administration financing cannot receive predevelopment loan funds until a preliminary application has been filed.

State Role

The State Department of Housing and Community Development administers the program with a special loan committee composed of HCD officials reviewing the application. Priority will be given to loans which meet program criteria. The criteria includes: 1) project responds to need of Statewide Housing Plan; 2) project will be occupied by at least 30 per cent very low income persons; 3) urgent health and safety factor exists; and 4) number of units assisted by the loan is high in relation to loan amount.

ESTIMATED COST

Recipients of Predevelopment Loans are required to pay an interest rate for loans the same as the average rate returned by the investment of state funds through the California Pooled Money Investment Board for the five previous fiscal years (approximately 7 per cent). Under certain conditions, the interest rate may be reduced or eliminated.

ANTICIPATED PROGRAM RESULTS

Low interest rate loans are available as seed money to public agencies or non-profit corporations involved in developing housing or rehabilitation projects. Up to $50,000 can be loaned, which may be an instrumental amount in paying for initial predevelopment costs of a project.

CONTACT SOURCE

Application forms and information on the urban (and rural) Predevelopment Loan Fund can be received from:

Administrator
Urban Housing Predevelopment Loan Fund
921 Tenth Street - Plaza Building
Sacramento, California 95814
(916) 445-4725

PROGRAM TITLE

STATE LOW-INCOME HOME MANAGEMENT TRAINING PROGRAM (SB 33)

PROGRAM DESCRIPTION

As a result of the success of a pilot program in low-income home management training conducted by the Department of Housing and Community Development (HCD), the state legislature established a California Low-Income Home Management Training Program. This program encourages greater participation by local public and private agencies in the expansion of housing opportunities for low-income residents through housing counseling activities.

Eligible sponsors include any city, county, housing authority, redevelopment agency, non-profit organization or private entity engaged in housing activities intended to increase the supply of housing for low-income residents. A limited statwide fund of $155,000 was available in 1977-78, with grants ranging up to $15,000 for first year grantees, and up to $10,000 for second year grantees. It is not clear exactly how much funds will be available in subsequent years.

Priority is given to programs serving client groups within the lowest practical income range eligible under the federal housing programs utilized by the sponsor. Under no cases can a client's family income at the time of initial counseling exceed 80 per cent of median income in the area.

ADMINISTRATIVE STRUCTURE

Local Agency Role

Any local government agency, or other eligible applicant, should submit a 3 to 10 page proposal, which includes a budget breakdown, to the State HCD. To be eligible for a grant, the sponsor must develop a local advisory board to assist in the planning, implementation and evaluation of the program. Representatives of the following groups must be on the board; residential building industry, real estate industry, savings and loan industry, county welfare department, college/university district, and participants in the Home Management Training Program.

State Role

The Director of HCD is authorized to make grants to eligible sponsors. In evaluating grant requests, HCD will be particularly concerned with the stimulation of production, rehabilitation or conversion of housing for low-income use; the counseling and training of low income persons with skills to obtain and maintain newly constructed, rehabilitated, or converted housing; and the effectiveness of the program as it relates to the amount of the grant request.

ESTIMATED COSTS

Applicants receiving grants are expected to utilize other funds and community resources to facilitate the housing management/counseling program. Second year grantee's who are entitled to CDBG funds will be required to evidence one-to-one matching funds.

ANTICIPATED PROGRAM RESULTS

Small grants are available under this program to assist cities, or other organizations, in developing home management or counseling activities for low-income households. The grants are often used to fill a gap which exists in the funding of an effort primarily financed by another source, or to provide initial capital for an effort that will become self-supporting.

CONTACT SOURCES

Requests for information and proposals should be submitted to:

Lila Lieberthal
Department of Housing and Community Development
Division of Community Affairs
One Manchester Boulevard, Suite #1
Inglewood, California 90301
(213) 673-3703

PROGRAM TITLE

STATE SUPPLEMENTAL PROGRAM (SSP--SPECIAL CIRCUMSTANCES AID

PROGRAM DESCRIPTION

A variety of special assistance funds are available to SSP recipients who have been receiving funds from the Social Security Administration. Benefits are payable when circumstances occur which are not common to all recipients and arise out of a need for certain goods or services, physical infirmities, or other conditions peculiar to the individual's or couple's situation. Housing repairs and home modifications are eligible items. The following aid is available:

1. Replacement of essential household furniture when damaged or destroyed by a catastrophe, such as fire, flood, or earthquake.

2. Required housing repairs necessary to provide safe and healthful housing for a recipient. The total allowance for repairs in any 12-month period cannot exceed $300.

3. Supplemental housing repair for unmet shelter needs for repairs which cannot be met within the $300 standard as allowed in No. 2. An additional payment up to a maximum of $450 ($750 maximum under both programs) is allowable. A variety of conditions must be certified by the County to qualify for these funds.

4. Moving expenses for cases where current housing is unsafe or unhealthful, the recipient may receive up to $200 ($300 for couples) for the costs of packing, storage, and moving. Under other circumstances, up to $750 is available for moving expenses.

5. Home modifications payments of up to $750 per piece of property is available when recipient-occupied home required modification to provide safe and healthful housing.

6. Payment to prevent disclosure resulting from delinquent payments on a home owned by a recipient are available up to $750.

ADMINISTRATIVE STRUCTURE

Local Agency Role

This program will be administered by the County welfare departments, including establishment of eligibility and payments of benefits. Local government rehabilitation counselors or planning staffs should refer eligible SSP recipients to the County welfare department (Social Services Department in Santa Clara County) to apply for assistance. Special circumstances assistance would be appropriate for minor housing repairs or modifications on homes of persons receiving income payments.

ESTIMATED COSTS

There would be no additional costs to local government. SSP Special Circumstances payments might be used, however, in conjunction with other housing or rehabilitation assistance funds.

ANTICIPATED PROGRAM RESULTS

This program offers a good source of additional financial aid to SSP recipients who are in need of certain goods or services. Only minor housing repairs would be eligible for aid under this program. Other sources of assistance should be investigated for housing problems that may cost more than $750.

CONTACT SOURCE

For more specific information on this program in Santa Clara County, contact:

Santa Clara County
Department of Social Services
55 West Younger
San Jose, California 95110
(408) 299-2013

PART III
FEDERAL FINANCIAL RESOURCES FOR NEIGHBORHOOD CONSERVATION

PART III - FEDERAL FINANCIAL RESOURCES FOR NEIGHBORHOOD CONSERVATION

INTRODUCTION

In the early 1970's, many federal housing rehabilitation and renewal programs were suspended under a moratorium imposed by the President. This brought to a close the wide variety of programs of the U.S. Department of Housing and Urban Development (HUD) which had been instituted in the 1960's. In 1974, with the passage of the Housing and Community Development Act, block grants became available through HUD to finance housing conservation activities. This program has become the backbone of neighborhood revitalization efforts.

However, other federal programs exist which also can be used in a revitalization strategy. The HUD Section 312 home improvement loan program was reinstated after the moratorium because of pressure from cities across the nation, and is an instrumental tool for assisting lower income persons in home rehabilitation. Urban Homesteading, Neighborhood Housing Services, Section 8 Housing Assistance as well as FHA Housing Insurance programs can be used to help stabilize and improve neighborhoods. In addition, the Farmers Home Administration administers housing programs for rural areas, the Department of the Interior has historic preservation programs, the Department of Commerce has economic development programs, Small Business Administration funds programs for improvement of commercial and industrial areas. These programs are summarized on three tables. Table I lists HUD Financial and Technical Assistance Programs, Table II lists HUD Loan Insurance Programs and Table III lists Farmers Home Administration Programs.

TABLE I HUD FINANCIAL AND TECHNICAL ASSISTANCE PROGRAM SUMMARY

Santa Clara County Planning Department

TITLE OF PROGRAM	WHAT TYPE OF SUBSIDY IS AVAILABLE	WHO MAY APPLY	WHAT ARE MAJOR REQUIREMENTS/RESTRICTIONS	TERM AND INTEREST	STATUS OF PROGRAM	OTHER PROGRAM INFORMATION
Section 8 Substantial Rehabilitation Lower Income Housing Assistance	Project sponsor may contract for tenant subsidy that pays the difference between no more than 25% of household's income and fair market rent of the unit.	Non-profit and profit owners and developers, and PHA's; Tenants income must be 80% of area median or less.	Program should be used to reduce displacement problems in rehabilitation projects.	Maximum term is 20 years, but can be as long as 40 years with special state or local guarantee	Active	Interested developers or PHA's respond to HUD published invitations and submit proposals.
Section 202 Loans for New Construction or Rehabilitation for Elderly or Disabled	Housing loan for construction or rehabilitation of rental or cooperative housing	Private non-profit sponsors providing housing for elderly (over 62 years) or handicapped persons.	1. Maximum mortgage limit is $50 million 2. 20% of the units must be Section 8.	40 years with interest based on average rate paid in Federal obligations during the preceding fiscal year.	Active	HUD, under Section 106, will provide technical assistance and direct seed money to non-profit sponsors of Section 202.
Section 235 Revised Home-ownership for Lower Income Families	Interest subsidy and mortgage insurance for new or substantially rehabilitated single family units.	Families having income which does not exceed 95% of area median. Lender must be HUD-FHA approved.	1. Under substantial rehabilitation, cost must be at least 25% of the value of property after rehabilitation . 2. Maximum mortgage amounts of $32,000 -$44,000.	Lessor of 30 years or 3/4 of remaining economic life of structure, maximum interest allowed as current HUD/FHA rate. MIP of .7%	Active in its revised form	1. Assistance payments are made by HUD to lender which reduce interest rate to as low as 5%. 2. Homeowner must contribute 20% of income to monthly mortgage payment.
Section 312 Loans for Housing Rehabilitation	3% loans for rehabilitation of residential and business properties in designated urban renewal or CDBG areas.	Any owner-occupant, investor-owned, and mixed use property in the designated area.	Maximum mortgage loan is $27,000 per family unit and $50,000 for commercial properties.	Lesser of 20 years or 3/4 of remaining economic life of structure with 3% interest	Active	1. Security required on loans above $3,500. 2. Refinancing is limited to owner-occupants where rehabilitation costs equal 20% of loan.
Section 518 Compensation for Substantial Defects	Federal aid to reimburse homeowners with certain FHA - insured mortgages for defects that existed when mortage was committed.	Households that purchased homes under Section 235, 203, and Section 221 (d) (2)	1. Home must have been purchased between August 1, 1968 and August 3, 1976. 2. Property must be in community of over 2,500 persons.	Direct grant to correct defects.	Active	1. Over 50% of homes in neighborhood must be pre-1940 homes. 2. Defect must be serious structural or health and safety problem.
Comprehensive Counseling Grants	Federal aid to fund comprehensive housing counseling agencies.	Pre-purchase, rental and default couseling service organizations.	Funding, at present time, ranges from three months to a year, with a chance that some may be permanent.		Active demonstration basis	This program is only funded for $5 million initially. It is administered through neighborhood voluntary associations and consumer protection offices.
Urban Reinvestment Task Force (HUD & FHLBB)	URTF provides seed money and technical assistance to communities initiating Neighborhood Housing Services programs and assists in Neighborhood Presentation projects.	Community groups, financial institutions, city governments, foundations or a combination of these.	Community must demonstrate active interest from private lending institutions, local government, and citizen organizations.		Active	Available assistance includes seed money, consulting services, special training sessions for local personnel and other services.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD)

HUD FINANCIAL AND TECHNICAL ASSISTANCE

PROGRAM TITLE

COMMUNITY DEVELOPMENT DEVELOPMENT BLOCK GRANTS (CDBG)

Housing and Community Development Act of 1974 and 1977

PROGRAM DESCRIPTION

Community Development Block Grant funds can be used to finance many aspects of an overall conservation strategy. Among eligible activities are: acquisition of property suitable for rehabilitation or for historic preservation; clearance and demolition; rehabilitation of buildings; code enforcement; provision of certain public facilities and services; planning; and relocation payments to displaced persons and businesses.

Community development block grants are commonly used to finance rehabilitation loan and grant programs. Funds may be used for loan guarantee or interest subsidy programs within limits defined in HUD regulations. CDBG funds can also be used to reduce the interest rate on Marks-Foran rehabilitation loans in many cases. By subsidizing loans made with Marks-Foran funds, more CDBG funds which would have been used for rehabilitation loans will be available for other rehabilitation or conservation activities or other eligible CDBG projects.

All block grant expenditures must meet general program requirements of assisting in the development of viable urban communities by providing decent housing and a suitable living environment and expanding economic opportunities, principally for persons of low and moderate-income. Specific application of CDBG funds is described in the local programs section of this report.

ADMINISTRATIVE STRUCTURE

Local Agency Role

A local government agency, receiving either an entitlement or discretionary block grant, must design and organize the community development program and develop projects which meet statuatory and program requirements. To be eligible for entitlement funds beginning with the first application submitted on or after April 1, 1978, applicant must submit its application, a comprehensive 3 year Housing and Community Development Plan, an annual Action Plan and an annual performance report.

State Role

The State Office of Planning and Research (OPR), with the assistance of the Department of Housing and Community Development (HCD), carries out the A-95 review and comment

function on CDBG applications submitted to HUD. HCD provides technical assistance on applications and housing programs upon request.

Federal Role

Besides distributing funds, HUD assists communities with their programs, monitors its progress, checks certifications and agreements and evaluates the success of program activities.

ESTIMATED COST

Block grants may be used to pay for community development planning and administrative costs related to activities financed by block grant funds or contained in Housing Assistance Plans. Cities can use their general funds to supplement CDBG funds if desired. CDBG program components can be administered by counties, cities, local public agencies, non-profit organizations or private consultants in many cases.

ANTICIPATED PROGRAM RESULTS

Block grants should become an integral part of each community's housing and neighborhood conservation strategy. Program flexibility, within certain guidelines, allows cities a sizeable pool of funds in which to use on a variety of projects. In addition to establishing a rehabilitation loan and grant program, other common uses of CDBG funds for conservation activies are public improvements and public services in target areas, removal of blighting influences, and code enforcement. Block grants can, as well, be used with other federal and city funds to implement important conservation measures.

CURRENT STATUS OF PROGRAM

Most communities within Santa Clara County receive CDBG funds. The cities of San Jose, Mountain View, Palo Alto, Santa Clara and Sunnyvale are Entitlement Cities which automatically are entitled to funds because their population is over 50,000. The cities of Campbell, Cupertino, Gilroy, Los Gatos, Milpitas, Morgan Hill and Saratoga, in cooperation with the County, have formed an "Urban County" with a combined population over 200,000 which entitles them to CDBG funds. Each city must submit appropriate information to the County, which in turn makes the official Urban County application to receive the CDBG grant. Assistance from the Urban County program is also available to unincorporated areas within the County. The CDBG program is funded by Congress through 1980.

CONTACT SOURCES

For information on the administration of the program on the federal level, contact:

Joel Posner, HUD Representative
U.S. Department of Housing and Urban Development
One Embarcadero Center, Suite 1600
San Francisco, California 94111
(415) 288-6315

For information on the "Urban County" program, contact:

Isao Kobashi
John Piper
Charles Chew
Santa Clara County Planning Department
70 W. Hedding Street
San Jose, California 95110
(408) 299-2521

For information on a particular city's program, contact the city's HCD co-ordinator.

Urban County Cities

Campbell	Thom McCue	378-8141
Cupertino	Sue Hastings	252-4505
Gilroy	Charles McGowan	842-2137
Los Gatos	Jill Cody-Macartney	354-6820
Milpitas	Steve Ford	262-2310
Morgan Hill	Leon Kimura	779-7248
Saratoga	Stan Carnekie	867-3438

Entitlement Cities

Mountain View	Rich Bottarini	967-7211
Palo Alto	Daniel Fred	329-2546
San Jose	John Brezzo	277-4971
Santa Clara	Ron Gonzales	984-3111
Sunnyvale	Ann Draper	738-5461

A description of each city's housing rehabilition program funded with CDBG funds is contained in the report **Housing Rehabilitation - A Summary of Housing Rehabilitation Programs Funded by the Community Development Block Grant Program in Santa Clara County - January 1978.** This report is available at the Santa Clara County Planning Department or at the HCD Office of each city within the county.

PROGRAM TITLE

SECTION 312 REHABILITATION LOANS

Housing Act of 1964, as amended

PROGRAM DESCRIPTION

The Department of Housing and Urban Development makes direct 3% loans in urban renewal, code enforcement, and community development areas for housing rehabilitation. All property owners in designated areas, regardless of income, are eligible for assistance. The maximum loan amount permitted is $27,000 per family unit with a term of 20 years or 3/4 of the remaining economic life of property after rehabilitation, whichever is less. Cities with designated CDBG target areas are eligible to establish a 312 program in their community and receive financial assistance from HUD. HUD area office makes final approval of each loan application.

ADMINISTRATIVE STRUCTURE

Local Agency Role

The local agency (city, county or non-profit organization) which administers a 312 program within a Community Development Block Grant program area may accept applications from residents within the designated target areas. The local agency will be responsible for determining eligibility of loan applicants, for conducting necessary property appraisals, and other program responsibilities.

State Role

There is no direct state role in the 312 Loan program. However the Department of Housing and Community Development provides technical assistance and training in setting up and managing a 312 program.

Federal Role

Besides distributing funds, HUD, through the Federal National Mortgage Association, takes responsibility for servicing the loans.

ESTIMATED COST

The cost to local agency is the additional staff needed for processing loan applicants and conducting necessary administrative functions, such as work write-ups, estimates, contracts, applicant eligibility checks, and processing applications with HUD. However, by using the 312 program rather than the CDBG program for rehabilitation in some cases, additional CDBG funds will be available for other eligible projects. The 312 program can compliment the local CDBG rehabilitation program by dealing with the more expensive residential rehabilitation needs.

MAJOR STEPS IN 312 LOAN PROCESSING SYSTEM

1. Local Public Agency (LPA) makes initial contact with property owner in eligible area.

2. An inspection of the property is conducted by the LPA and the amount of required code work is estimated, as well as possible general improvements which might be desired by applicant.

3. The applicant's eligibility and ability to pay for rehabilitation is determined by the LPA.

4. Preliminary work write-up and a cost estimate are developed by the LPA.

5. Property appraisal at its current value is carried out by either LPA or HUD, depending on the loan amount.

6. Final work write-ups and cost estimates are prepared by the LPA and the maximum loan amount is determined.

7. In cooperation with the applicant, the LPA prepares the construction contract and obtains bids from interested contractors.

8. For work over $10,000, competitive bids must be obtained for the rehabilitation work. Once the contractor has been selected, the completed loan application with special HUD forms is sent to the HUD area office for approval.

9. After approval and reservation of funds, LPA assists the applicant in executing a selected construction contract.

10. The LPA submits a HUD request for funds form.

11. Loan settlement is carried out and the loan amount is deposited in a rehabilitation escrow account.

12. Applicant is assisted by the LPA in issuing a proceed order for construction work. The LPA is responsible for inspecting work and making progress payments to the contractor.

13. The LPA makes final inspection of property and final payment is made to the contractor. Appropriate forms are submitted to HUD by the LPA.

ANTICIPATED PROGRAM RESULTS

The Section 312 rehabilitation program offers financial loan assistance at a very attractive interest rate. Because of the low interest rate, the program should be oriented toward lower income residents, and may be combined with other programs to provide a variety of loan options. Program administrators can expect a fair amount of paperwork and often lengthy processing and approval delays. The 312 loans can be used in CDBG funded rehabilitation areas and in many cases, will allow some of the CDBG funds to be used for other program activities.

CURRENT STATUS OF PROGRAM

The County HCD staff processes 312 loan applications for all the Urban County member cities.

CONTACT SOURCES

For information on the 312 Loan program on the federal level, contact:

Bill McCabe, Regional Rehabilitation Loan Specialist
US Department of Housing and Urban Development
One Embarcadero Center, Suite 1600
San Francisco, California 94111
(415) 556-7304

For information on training and technical assistance on state level, contact:

Pat Sabelhaus or Dave Williamson
Department of Housing and Community Development
921 10th Street
Sacramento, California 95814
Sabelhaus (916) 445-0836 - Williamson (916) 445-4725

For information on the 312 Loan program within Santa Clara County, contact:

Bill McWood
Santa Clara County Planning Department
70 W. Hedding Street
San Jose, California 95110
(408) 299-2521

PROGRAM TITLE

SECTION 8 LOWER INCOME HOUSING ASSISTANCE

US Housing Act of 1937 as added by HCD Act of 1974 and 1977

PROGRAM DESCRIPTION

Section 8 Housing Assistance Payments (HAP) program, which replaced the Section 23 leased housing program, is designed to assist families to live in decent housing when they would be unable to afford decent housing from their own resources.

The Program has three components, utilizing existing, newly constructed and substantially rehabilitated housing units. Brief descriptions of the existing and new construction components of Section 8 are provided below, followed by a detailed presentation on substantial rehabilitation.

Housing assistance payments are authorized for families whose adjusted gross incomes do not exceed 80% of the median income for the area. Eligible tenants will contribute no more than 15% to 25% of their adjusted family income for rent, with the balance of the rent up to fair market amount being payed to the property owner by the Section 8 subsidy.

Existing Housing

A family determined eligible by the local Public Housing Authority (PHA) will be given a Certificate of Family Participation. The family may then seek a suitable unit anywhere within the operating jurisdiction of the PHA. If the owner is willing to lease a unit to the family, and if the unit is decent, safe and sanitary, the gross rent (Contract Rent plus allowance for tenant-paid utilities, if any) is reasonable and within the HUD-established Fair Market Rent for existing housing, and if the PHA approves the lease, the lease may be signed by the owner and the family, and a Housing Assistance Payments Contract will be executed between the PHA and the owner. Pursuant to this contract, the owner will receive a monthly payment from the PHA equal to the difference between the rent payable to the owner by the family and the approved rent for the unit.

New Construction

Non-profit and profit motivated private owners and developers, PHA's and owners and developers working with PHA's may submit development proposals in response to HUD published invitations or may apply to the California Housing Finance Agency. If preliminary and final proposals are acceptable to HUD, an agreement will be executed which provides, among other things, that upon satisfactory completion of the project, a HAP Contract will be executed for the units to be occupied by eligible families. It should be noted, however, that in order for the CHFA to finance the housing, an Article 34 referendum must be passed.

Substantial Rehabilitation

Section 8 substantial rehabilitation is receiving increased emphasis from HUD, and may become an important tool in a community's neighborhood conservation program. It should be used in conjunction with rehabilitation or conversion projects that may displace residents because of increased rents after the improvement work is completed. The application and development process for substantial rehabilitation is similar to new construction described above. Interested developers or PHA's respond to HUD advertisements and submit proposals. If accepted by HUD, tenants in a rehabilitated or converted project may receive a housing subsidy.

Substantial rehabilitation is defined by HUD as improvements of property from a condition requiring more than routine or minor repairs. Rehabilitation may vary in degree from gutting and extensive reconstruction to cosmetic improvements coupled with the cure of the accumulation of deferred maintenance. Cosmetic improvements alone do not qualify under this section. Also eligible is the renovation, alteration or remodeling for the conversion or adaptation of sound buildings for uses otherwise eligible in this program.

ADMINISTRATIVE STRUCTURE FOR SUBSTANTIAL REHABILITATION

Local Government Role

The local government agency may encourage and make provisions for participation by developers and private owners, and/or work directly with the Public Housing Authority, in implementing a Section 8 program.

The unit of general local government has the opportunity to review all proposals for substantially rehabilitated units. An analysis should be made on each proposal to insure consistancy with the local Housing Assistance Plan. In an effort to publicize the program and secure agreements with property owners to accept tenants assisted by the program, the local agency could also utilize its staff to contact property owners to secure agreements. Staff could also work with citizens' groups who are attempting to locate property owners who will participate in the Section 8 program.

Owner, Developer & PHA Role

Owners, developers, and PHA's may submit preliminary proposals for substantial rehabilitation in response to invitations published by HUD in local newspapers. Upon satisfactory completion of the project, a HAP Contract is executed for the units to be occupied by eligible families. The owner is subsequently paid for the difference between the Fair Market Rent for the unit and between 15-25% of the family's income. Contract rents are adjusted annually by HUD to account for changes in real property taxes, utility rates, and other similar costs.

Maximum terms for the contracts are generally 20 years, but if financed by a loan or loan guarantee from state or local agency the maximum term may be 40 years.

State Role

The California Housing Finance Agency (CHFA) assists developers in financing the construction or rehabilitation of projects by providing BMIR direct loans. Units within these projects may then be tied to Section 8 subsidies for low income persons. A developer can also secure financing from sources other than CHFA.

ESTIMATED COSTS

There are no direct costs to local government. Staff time is needed to review Section 8 substantial rehabilitation proposals and to lobby for utilization of Section 8 when appropriate. Local PHA's will incur costs of preparing applications in conjunction with project development.

ANTICIPATED PROGRAM RESULTS

Section 8 subsidies are among a very few available options that may be used to lessen the impact of increased costs of housing upon low income persons which may result from rehabilitation or other causes. Low income persons who are unable to afford decent housing may be assisted by either receiving a Section 8 existing housing certificate from the PHA to use in the operating jurisdiction of the PHA, or move into a new or substantially rehabilitated project with Section 8 unit-tied subsidies. Under Section 8 the tenant may benefit from a decent, safe and sanitary dwelling unit while not paying above what the tenant can reasonably afford. In this manner, Section 8 could limit the amount of displacement of low income residents in rehabilitation programs.

The local government can utilize Section 8 substantial rehabilitation in its local rehabilitation areas or other areas of the community. The property owner who agrees to accept Section 8 assisted tenants is guaranteed rent as long as the unit remains in safe, sanitary condition. Therefore, the program can become a major element in the community's housing strategy for neighborhood conservation.

CONTACT SOURCES

For detailed information of Section 8 program and application procedures on the federal level, contact:

US Department of Housing & Urban Development
One Embarcadero Center, Suite 1600
San Francisco, California 94111
(415) 556-5900

For detailed information on the Section 8 program in Santa Clara County, contact:

Mr. John C. Burns
Executive Director
Santa Clara County Housing Authority
999 W. Taylor Street
San Jose, California 95126
(408) 275-8770

PROGRAM TITLE

NEIGHBORHOOD STRATEGY AREAS PROGRAM (NSA) - SECTION 8 SUBSTANTIAL REHABILITATION

PROGRAM DESCRIPTION

The Neighborhood Strategy Areas program is a special 20,000 unit Section 8 Substantial Rehabilitation set aside established by HUD to facilitate the rehabilitation of rental units in designated urban areas. Initial NSA applications were accepted after January 31, 1978, to May 30, 1978. However, supplemental Section 8 allocations may make additional units available in the future. Local governments receiving CDBG assistance, including entitlement cities and urban counties, may apply to HUD for NSA designation. To be eligible, cities should have a mixture of small properties and multiple dwellings (approximately 4-20 units) where there is ongoing CDBG activity. HUD also requires an extensive application procedure, which includes:

1. A map of applicant's jurisdiction identifying location of NSA, existing land uses, circulation patterns, and public and private facilities impacting NSA.

2. A description of the proposed NSA's demographic and physical characteristics.

3. A specific plan which identifies how deficiencies in the neighborhood are to be remedied.

4. A proposed housing revitilization program which gives specific data on housing in the area.

5. A statement describing how residents and property owners of proposed NSA are involved in the development and execution of the neighborhood strategy.

While the NSA program has potential application in selected areas of Santa Clara County, the program is principally designed for older urban areas. Interested applicants must commit a significant amount of staff time in order to prepare an acceptable application.

CONTACT SOURCE

For information on the Neighborhood Strategy Areas Program, contact:

Mr. Harriman Thatcher
US Department of Housing and Urban Development
Embarcadero Center, Suite 1600
San Francisco, California 95111
(415) 556-4988

PROGRAM TITLE

AFTERCARE PROGRAM - SECTION 8

PROGRAM DESCRIPTION

Administered by the California Department of Housing and Community Development, Aftercare allocates Section 8 existing units to county and local housing authorities throughout California. These units are reserved for disabled and handicapped persons. A total of 1500 units are available statewide, with 58 units currently reserved for Santa Clara County Housing Authority.

To be eligible, applicants must be adults found to be: "developmentally disabled" by a Regional Center for the Developmentally Disabled; designated "mentally disordered" by local director of Mental Health Services; or determined to be physically disabled by State Department of Health.

Local governments seeking to assist disabled and handicapped persons find affordable housing should direct eligible applicants to the Housing Authority. No costs are shared by the locality.

CONTACT SOURCE

Information on the Aftercare Program can be obtained from:

Mr. Carl Hencken
California Department of Housing and Community Development
921 10th Street
Sacramento, California 95814
(916) 455-6501

Mr. John C. Burns
Santa Clara County Housing Authority
999 W. Taylor Street
San Jose, California 95126
(408) 275-8770

PROGRAM TITLE

DIRECT LOAN PROGRAM FOR ELDERLY OR HANDICAPPED (SECTION 202)

Housing Act of 1959

PROGRAM DESCRIPTION

Direct housing loans for the construction or rehabilitation of rental or cooperative housing are available through Section 202. Private non-profit sponsors providing housing for elderly (over 62 years of age) or handicapped persons may qualify for 40 year loans. There is a stipulation that 20% of the units must be Section 8. Section 202 has a maximum mortgage limit of $50 million.

ADMINISTRATIVE STRUCTURE

Local Agency Role

Section 202 is one of the major sources of funds that local governments may tap into to construct or rehabilitate housing for the elderly or handicapped. Communities desiring to provide housing opportunities for lower-income elderly persons should investigate the possibility of a joint 202 and Section 8 project. The individual city should work with a private, non-profit sponsor or cooperative willing to develop the housing. Public bodies may not directly participate in this program.

Non-Profit or Cooperative Sponsor Role

The applicant should respond to an "Invitation for Request" for Section 202 fund reservation issued by HUD. If selected, the applicant will be notified that 202 funds have been reserved and Section 8 funds have been set aside. Non-profit sponsors may receive interest free loans through Section 106(b) to cover 80% of preconstruction costs and to plan a Section 202 project.

Eligible applicants will be required to submit information on their capacity and experience to develop such a project.

ESTIMATED COST

This program does not have any direct costs for local communities, as the project is developed by a private sponsor.

ANTICIPATED PROGRAM RESULTS

Section 202 provides the financing for potentially large construction or rehabilitation projects for the elderly or handicapped in conjunction with Section 8 housing subsidies. Organizations such as churches, fraternal orders, labor unions, and teacher associations, can receive funding to assist in reducing housing shortages for low and moderate income persons.

CONTACT SOURCE

Information on this program can be received from:

US Department of Housing and Urban Development
One Embarcadero Center, Suite 1600
San Francisco, California 94111
(415) 556-2238

PROGRAM TITLE

NEIGHBORHOOD HOUSING SERVICES (NHS)

NEIGHBORHOOD PRESERVATION PROJECTS (NPP)

As administered by the Urban Reinvestment Task Force

PROGRAM COMPOSITION

The Urban Reinvestment Task Force is composed of the heads of:

Federal Home Loan Bank Board, Federal Reserve System, Comptroller of the Currency, Federal Deposit Insurance Corporation, and Secretary of HUD.

PROGRAM DESCRIPTION

The primary goal of the Urban Reinvestment Task Force is to promote neighborhood preservation and to reverse neighborhood decline in urban areas throughout the nation. The Task Force encourages and assists cities in improving the quality of life and attempts to re-orient the nation's lending industry toward inner city neighborhoods. Three main activities are undertaken by the Task Force in working toward these objectives: 1) Assisting localities in starting up Neighborhood Housing Services (NHS) programs by providing seed money and support services, and program services once NHS has been implemented; 2) Evaluating and assisting selected Neighborhood Preservation Projects (NPP) undertaken by cities in association with financial institutions and community residents which demonstrate viable approaches to urban reinvestment; 3) Disseminate information related to neighborhood preservation through conferences, publications, and other media. They are primarily involved with NHS implementation and operation guidance.

The Task Force provides a variety of assistance in helping communities initiate and run a NHS program. These include:

1. Funding to get local interest in program generated.

2. Special consulting services to organize preliminary meetings and workshops in the community to publicize the NHS concept.

3. Specially trained Task Force personnel to work with new executive directors, providing recommended procedures and systems, materials from other similar programs and assistance in setting up local systems.

4. Offers an orientation session for NHS Board of Directors which emphasizes proper roles and responsibilities of working boards and staff.

5. Workshop offered for appraisers, loan underwriters, and private mortgage insurance representatives to familiarize them with NHS concept and demonstrate what program can mean to neighborhood.

6. Offers for operating programs a training program for potential NHS staff members who will be counseling homeowners on home repair, writing specifications for rehabilitation jobs and monitoring construction in progress.

7. Operating NHS programs can obtain written materials, visual aids, sample technical documents, recommended operating procedures, accounting guides and other information.

8. Assist NHS programs in dealing with special organizational and other problems which may be encountered and give ongoing technical clinics to NHS directors and other eligible persons.

Modest demonstration grants and technical assistance is available from the Task Force for Neighborhood Preservation Projects. These selected demonstrations involve partnerships of neighborhood residents, the private sector and local government. In some cases the projects support NHS activity. In others they offer additional innovative approaches to neighborhood preservation and are not necessarily in NHS cities. It is hoped that successful NPP's can be used as models to treat specific problems in coming years.

Funding for the Task Force has been extended through 1979 which will allow for the creation of a minimum of 40 NHS's and 30 NPP's. The opportunity is available to establish new NHS and NPP projects in varying urban neighborhoods.

ADMINISTRATIVE STRUCTURE OF NHS

Urban Reinvestment Task Force Role

The Task Force role in the developmental process, prior to entering into a developmental agreement, is to assess the prospects for creating NHS in the city. If the applicant city appears to have a strong case for a NHS program, the Task Force enters into a developmental contract with local funding sources and hires a local coordinator. The local coordinator identifies key lenders in the community, makes contacts with these individuals and arranges a 3-day workshop to present the NHS program in detail.

At the workshop a site selection committee is organized if the site has not been chosen. The committee determines the appropriate neighborhood for the NHS program through analysis and discussion with citizens, city officials and lenders.

The last workshop organized by Task Force marks the transition from developmental stage to operating stage. The site has been selected, the corporation structure agreed upon, and operating funds raised. This workshop becomes the first meeting of newly-formed NHS corporation. Participants become corporation members and a board of directors is chosen. Early program operation includes recommendations for staff positions, steps toward hiring an executive director, and continued fund raising.

The overall Task Force role is that of facilitator to assist in the formulation of a strong and successful local NHS effort.

City Government Role

Under the NHS model the city is one actor among three main participants, the others being the community residents and financial institutions. To contribute to the initiation and implementation of a successful NHS program the city must assist in designating an appropriate target area; assist in implementation of a code enforcement program; provide necessary public improvements in the designated neighborhood; help publicize the program; and provide additional program funding when feasible.

Private Lender Role

Financial institutions are necessary to NHS development and operation by helping underwrite the operating budget; by participating in the program when serving on appropriate boards and loan committees; by helping raise high risk revolving loan funds; and by making conventional loans to credit worthy individuals within neighborhoods.

Neighborhood Resident Role

Active neighborhood citizens are a key to a successful NHS program. They serve to help gain acceptance of NHS program and its goals in the neighborhood. Additionally, they can strengthen requests for public service improvements and investment in the NHS area, help facilitate acceptance of the code enforcement program, and help inform homeowners of the inspection and finance processes. Citizens also can become members of NHS board. Citizens often become a majority of the Board and serve on key committees.

District Federal Home Loan Bank Board (FHLB) and Federal Reserve Board (FRB) Roles

In many programs the FHLB helps make positive contact with officers of savings and loan associations and gives added institutional assistance, usually at the outset, to the NHS concept. The Federal Reserve Banks make the same type of contact with commercial banks.

PREVIOUS ACTIONS AND CONDITIONS NECESSITATED TO INITIATE A LOCAL NHS PROGRAM

Prior to entering into an agreement to develop an NHS, the Task Force must determine that the following basic elements for a successful program exist:

1. Local government capacity to participate with sensitive code compliance program, public service improvements, and public works expenditures.

2. Potential financial institution participation and leadership on NHS.

3. Foundation/industrial/civic financial support.

4. Interest of federal, state, and other agencies in assisting and/or cooperating.

5. Interest of community organizations.

6. Potential leadership.

STEPS NECESSARY TO CREATE NHS PARTNERSHIP

Upon determination that conditions listed above exist:

1. City or lending institutions should make initial dollar commitment for NHS administration (e.g., CDBG funds commitment).

2. City should contact Task Force for preliminary consideration of inclusion into NHS program.

3. Task Force makes initial inspections of city and potential site areas.

4. City and Task Force agree upon special consultant who will make initial contacts in city and work out contract agreements between parties.

5. City should offer some funds for program development, for potential revolving loan fund, and for capital improvements in the area.

6. Contract signed between the city and the Task Force.

7. Special consultant and city together hire a local coordinator.

8. Program introduced to local financial institutions and neighborhood organizations who are not already involved.

9. Task Force organizes with other participants a three-day workshop to develop necessary ingredients for the NHS. City, citizens, and financial institutions all play integral parts in the workshop.

10. Necessary operating committees formed, including site selection committee, all of which are under overall NHS development committee.

11. Discussion of proposed NHS sites. Continuing effort at generating broad based support for the program.

12. Final selection of neighborhood site and adoption of by-laws by development committee. Determine name for corporation.

13. Incorporate organization and elect Board of Directors. Partnership is created.

14. Board selects chairman and hires executive director.

15. After incorporation, Task Force assists the new organization in obtaining non-profit status, in obtaining additional community support and in selecting and training permanent staff.

16. At the point where NHS program is fully operational, the Task Force's formal responsibilities are phased out except for technical services and monitoring purposes. The local NHS becomes an independent private entity.

ESTIMATED COST

Major costs to the city are initial developmental administrative fees ($20,000-$50,000) plus that amount it decides to contribute to revolving loan fund and capital improvement program in the area. In addition, it may wish to contribute city staff to certain aspects of NHS operation (e.g., code enforcement).

OTHER ASSISTING ORGANIZATIONS

In California, NHS are assisted by the California Foundation which is a group of lenders who attempt to generate funds for NHS. They collect funds and then allocate them to individual NHS's.

NHS of America (NHSA) is a nationwide organization which serves as a secondary loan market for NHS loans and also monitors local programs. They will give dollar amount for existing NHS loans and will also service the loans. This allows an extra source of funds for local NHS.

ANTICIPATED PROGRAM RESULTS

Through a joint citizen, city, and private lender cooperation, it is anticipated that NHS program can stabilize and/or improve an urban neighborhood. By working with the URTF in setting up a local NHS, the local community is assured of a variety of services and administrative assistance which can strengthen the overall program.

CONTACT SOURCES

Information on the national level can be obtained by contacting:

Urban Reinvestment Task Force
1120 19th Street, NW
Washington, DC 20036
(202) 634-1689

Information on the Oakland NHS Program can be obtained by contacting:

Kenneth Nunn
Oakland Neighborhood Housing Services
1641 98th Avenue
Oakland, California 94603
(415) 632-8892

PROGRAM TITLE

URBAN DEVELOPMENT ACTION GRANTS (UDAG)

Housing & Community Development Act of 1977

PROGRAM DESCRIPTION

Congress has authorized $400 million in urban development action grants to assist distressed cities and distressed urban counties in revitalizing their economic bases and reclaiming deteriorated neighborhoods. Grant assistance will be made available for projects which address the commercial, industrial, or residential development needs of an applicant community. This can involve major rehabilitation projects.

Cities and urban counties may apply for assistance if they meet a variety of selection criteria. Metropolitan cities, other cities over 50,000 population, and urban counties must meet three of the six minimum standards of physical and economic distress (in some cases applicant must meet four of the six). Cities with populations between 2,500-25,000 and 25,000 and 50,000 have slightly differing eligibility requirements. Consult Federal Register of 3-29-78 for details.

1. Age of housing (more than 34.15% of housing must be built before 1940)

2. Per capita income (net increase in per capita income for the period 1969-74 was $1,424 or less)

3. Population lag/decline (for 1960-75 the % rate of population growth was 15.52% or less)

4. Unemployment (rate of unemployment in 1976 was 7.69% or greater)

5. Job lag/decline (rate of growth in retail and manufacturing employment for 1967-72 was 7.08% or less)

6. Poverty (11.24% of persons in area are at or are below poverty level, based on the 1970 census).

The applicant must also demonstrate satisfactory results in providing housing for low and moderate-income persons and must demonstrate results in providing equal opportunity in housing and employment for low and moderate income and minority persons.

ADMINISTRATIVE STRUCTURE

Local Agency Role

Cities and Counties that meet any four of the physical and economic distress indices and meet the other program requirements may consider applying for UDAG assistance. Proposed projects should already be in the final planning stages and ready for implementation before submitting application. Projects should be able to be implemented in no more than four years.

HUD Role

HUD will award grants to applicants who meet program guidelines and have feasible and effective projects. The primary criterion for selection will be comparative degree of distress among participants and a reasonable balance among neighborhood, industrial, and commercial projects.

ESTIMATED COSTS

UDAG funds may not be used to plan and develop the application. Communities without already planned projects must pay for planning costs. Applicants may use CDBG funds for this purpose.

NECESSARY STEPS/PROCEDURES FOR APPLICANTS

1. Applicants should request a determination by the HUD area office on whether they are eligible to apply for UDAG grants prior to submitting an application and request an initial determination of eligibility on proposed activities.

2. Applicants must submit a separate application for each proposed project.

3. Applications must be submitted on HUD forms to appropriate HUD area office. Documentation of applicant eligibility must be submitted along with other reference material, certifications, and UDAG project description.

4. Applications will be accepted by HUD area offices in the first quarter of FY 78 and thereafter during the first month of each quarter.

Eligible projects will be selected according to the comparative degree of physical and economic distress among applicants.

ANTICIPATED PROGRAM RESULTS

Cities and counties who are selected for UDAG assistance are able to fund major urban revitalization projects which otherwise may go without funding. Because of the limited available funds nationwide, however, many worthwhile projects will not be selected. It is expected that the majority of projects will be awarded to older, urban cities.

CONTACT SOURCE

Information on the Urban Development Action Grants can be obtained from:

Joel Posner
HUD Representative
US Department of Housing and Urban Development
One Embarcadero Center, Suite 1600
San Francisco, California 94111
(415) 288-6315

Information on technical assistance on program development or application preparation on the state level, contact:

Pat Sabelhaus or Dave Williamson
Department of Housing and Community Development
921 10th Street
Sacramento, California 95814
Sabelhaus - (916) 445-4725 or Williamson - (916) 445-4725

PROGRAM TITLE

REVISED HOMEOWNERSHIP FOR LOWER INCOME FAMILIES (SECTION 235)

PROGRAM DESCRIPTION

The revised 235 program requires a greater financial commitment by the homeowner than the previous 235 program. Families having an income which does not exceed 95% of the area median may qualify for an interest subsidy and mortgage insurance for new or rehabilitated single family units. The homeowner must contribute 20% of his/her income to monthly mortgage payments, and make a downpayment of 6% of the total cost of buying the home. HUD makes assistance payments to lenders which reduces the interest rate to as low as 4%. To qualify under substantial rehabilitation, the cost must be at least 25% of the value of the property after rehabilitation.

Section 235 provides one of the few mechanisms whereby lower income persons can receive assistance in purchasing a new or rehabilitated home. With the substantial increase in single-family housing costs in Santa Clara County, however, very few homes will fall within allowable mortgage limits ($44,000 in high costs areas).

PROGRAM TITLE

COMPENSATION FOR SUBSTANTIAL DEFECTS (SECTION 518b)

National Housing Act of 1934 as amended by the Housing and Community Development Act of 1974

PROGRAM DESCRIPTION

The FHA will reimburse homeowners with certain FHA-insured mortgages (235,203, 221(d)(2)) for critical defects that existed at the time the mortgage commitment was issued if proper FHA inspection could have disclosed the defects. They must be serious structural defects. Homes purchased under one of the above programs between 1968 and 1976 are eligible.

An owner of an FHA-insured home which is eligible for coverage must initiate the claim by filing with an FHA field office. After FHA staff members inspect the house and establish eligibility, homeowners are reimbursed for their repair costs. If a homeowner has a valid 518 claim, he/she may save a substantial amount of private repair funds, or reduce the necessity of using other public fundings.

PROGRAM TITLE

SECTION 701 - COMPREHENSIVE PLANNING ASSISTANCE GRANTS

Housing Act of 1954, as amended

PROGRAM DESCRIPTION

A wide variety of comprehensive planning and management activities are supported by grants of up to two-thirds of the project cost through the 701 program. Activities covered are on-going planning efforts to develop long-term goals for land use, housing, and community facilities, including planning for rehabilitation and neighborhood conservation activities.

Section 701 funds are granted directly by HUD to states, metropolitan clearing houses, council of governments, and Indian tribes. The states may fund localities (excluding large cities over 50,000 and Urban Counties), nonmetropolition areawide planning agencies and other regional applicants. Non-entitlement communities participating in an Urban County program are eligible to receive assistance. Applicants must insure citizen participation in the planning process and must periodically provide information on their project.

PROGRAM TITLE

SECTION 810 - URBAN HOMESTEADING DEMONSTRATION PROGRAM

Housing & Community Development Acts of 1974 and 1977

PROGRAM DESCRIPTION

Section 810 authorizes the Secretary of Housing and Urban Development to transfer HUD-FHA held vacant one to four family houses to units of local government requesting such properties for use in an urban homesteading program. Currently this program is administered as a Demonstration Program with 38 cities selected through May of 1977. The Housing and Community Development Act of 1977 has authorized an additional $15 million for fiscal year 1978 for this program.

Cities which have applied for and been selected to participate in the program are required to specify the target neighborhoods in which their urban homesteading programs will be carried out and to provide for the coordinated upgrading of public services and facilities in these neighborhoods, as described in a homesteading plan. All HUD owned vacant properties in the target area, not under contract for sale or repair, are offered to the city. HUD will not dispose of these properties for 90 days or until the city indicates that these properties will not be used for homesteading.

The local government then "sells" these properties for a token sum (as low as $1.00) to individuals or families. The homesteader must make repairs to meet minimum health and safety standards and then occupy the property for at least three years. Low-interest loans to homesteaders and other eligible homeowners in the target area will be made available by HUD. When property has been brought up to local code and standards, the homesteader receives full title to the property.

ADMINISTRATIVE STRUCTURE

Local Agency Role

Cities interested in participating in the homesteading program must submit a plan to HUD which ensures the availability of rehabilitation financing, the provision of technical assistance to homesteaders, and municipal services to the target neighborhoods. The neighborhood selected by the community should not be severely blighted, although it might be in a declining state and contain a variety of HUD owned abandoned property. An acceptable plan must show how the city will improve or stabilize the deterioration of the selected target area. This plan should be prepared and submitted to HUD by the responsible Planning or Housing and Community Development department of the city.

Upon acceptance into the Section 810 program, the city will receive all HUD owned eligible property and can then make the property available to homesteaders. The city building or housing inspection department must insure that property is brought up to code within 18 months of the time the homesteader occupied the property. Finally, the property must be occupied by the homesteader as a principal residence for at least three years.

Homesteader Role

Interested homesteaders must apply to the participating city and meet locally determined requirements. The city must equitably select all homesteaders.

ESTIMATED COST OF PROGRAM

The amount of additional costs incurred by a participating city depends upon the selected target area and degree of abandonment. If the program is initiated in existing CDBG target areas and redevelopment areas where public funds have been invested, the additional costs will be minimal. However, if the homesteading area is not receiving adequate public services and improvements, additional local funds will be necessitated. In either case, technical assistance must be provided to homesteaders which will require additional staff time. The building or housing inspections department will have a minor increase in work-load, depending upon the number of participating homesteaders.

ANTICIPATED PROGRAM RESULTS

Section 810 is a tool to be used to facilitate the revitalization of declining neighborhoods and to reduce the number of federally held defaulted mortgages. An urban homesteading program is an innovative mechanisim which may assist a community in reoccupying and rehabilitating abandoned housing, thereby lessening a major cause of urban blight. In Santa Clara County, however, very few HUD/FHA owned properties are abandoned and, therefore, available for this program.

CONTACT SOURCES

Information on this Urban Homesteading Demonstration Program can be obtained from:

US Department of Housing and Urban Development
One Embarcadero Center, Suite 1600
San Francisco, California 94111
(415) 556-5900

PROGRAM TITLE

COMPREHENSIVE COUNSELING GRANTS

Housing and Community Development Act of 1977

PROGRAM DESCRIPTION

HUD has been authorized $5 million for comprehensive counseling purposes and is currently experimenting with funding a variety of counseling programs. The program, administered through the assistant secretary for neighborhood voluntary associations and consumer protection office, funds pre-purchase, rental, and default counseling service organizations. At the time funded programs range from three months to a year, with the chance that some may become permanent.

Grants for FY 1978 are expected to average $12,000. Thus, it is expected that other funding sources must be sought by the applicant. HUD plans on instituting training programs for staff members of approved counseling agencies.

US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HUD/FHA MORTGAGE INSURANCE PROGRAMS

INTRODUCTION

HUD offers a variety of mortgage insurance through the Federal Housing Administration (FHA). These programs are described on the following pages and summarized on Table II. Although all the listed programs are "active", some are less frequently used. A short description of each program has been written and contains only the most important program characteristics.

ADMINISTRATIVE STRUCTURE

Local Agency Role

The vast array of FHA insurance programs are suited for different purposes. Local agencies which are developing housing and neighborhood conservation strategies should be aware of the many different FHA Insurance programs used to insure loans obtained to repair, rehabilitate, or improve various types of housing and community structures. Planners and program administrators should determine how FHA insurance programs might work into their neighborhood conservation strategies. A city may desire to directly use an FHA program in a rehabilitation project or assist or inform others on the programs. Information on regulations and eligibility requirements could be provided to interested groups and individuals. They should, however, be referred to appropriate HUD/FHA offices or FHA approved lenders for detailed assistance. The local agency role is primarily as a facilitator for worthwhile city improvement projects, many of which would be infeasible without FHA insurance.

ESTIMATED COST

Local agencies will incur only minimal costs in staff time to familiarize themselves with available HUD/FHA insurance programs and in determining how the programs might be worked into an overall conservation effort.

ANTICIPATED PROGRAM RESULTS

The variety of available FHA insurance programs has given life to many construction, rehabilitation, and improvement projects which could not have taken place without government mortgage or loan insurance. This is especially true in the area of construction and improvement of housing for low and moderate income persons. Many communities are unaware of the various FHA programs serving different purposes and needs. HUD/FHA programs are, therefore, a vital tool in a community conservation.

PROGRAM TITLE

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CONTACT SOURCE

Information on HUD/FHA insurance programs can be obtained from:

> US Department of Housing and Urban Development
> One Embarcadero Center, Suite 1600
> San Francisco, California 95111
> (415) 556-2238

TABLE II HUD/FHA LOAN INSURANCE PROGRAM SUMMARY

Santa Clara County Planning Department

TITLE PROGRAM	WHAT KIND OF HOUSING IS ELIGIBLE	WHO MAY APPLY FOR LOAN INSURANCE	WHAT RESTRICTIONS APPLY TO HOUSING RESIDENTS	WHAT ARE INSURABLE LOAN LIMITS	INTEREST RATE	TERM	WHAT IS THE PROGRAM STATUS	OTHER PROGRAM INFORMATION
Section 203(k) Major Home Improvement	1-4 unit dwellings at least 10 years old	Any owner of 1-4 family dwelling unit	No income requirements	Maximum amount insurable is $12,000 per unit (may be increased up to 45% in high cost areas)	HUD/FHA current rate as determined by Secretary of HUD	Lesser of 20 years or 3/4 of after rehabilitation economic life of the structure	Active, but infrequently used.	1) Required improvements applicable to local codes, not HUD MPS. 2) Total indebtedness may not exceed 85% of an owner-occupied property.
Section 207(M-F) New Construction and Rehabilitation of Multi-family rental units	Multi-family rental housing of over 8 units	Investors, builders, developers and others who meet HUD/FHA mortgagor requirements.	No income requirements	Per family unit costs range from $19,500 to $43,758, with allowable increases in high cost areas.	HUD/FHA current rate	Lesser of 40 years or 3/4 of remaining economic life of structure.	Active	Accommodations must be suitable for families with or without children and available at reasonable rents.
Section 207(MH) New Construction and Rehabilitation of Mobile Home Parks	Mobile home parks of at least 8 spaces	Investors, builders and developers and others who meet FHA requirements	No income requirements	Mortgage limited to $3,900 per individual space, with up to 50% increase in high cost areas, or 90% of HUD/FHA after rehabilitation value, whichever is less.	HUD/FHA current rate	Lesser of 40 years or 3/4 of remaining economic life of structure.	Active	1) Park must make adequate provision for families with children. 2) No "closed" parks. 3) Leases must be for at least 30 days.
Section 213 Cooperative Housing Construction Rehabilitation and Resale	Cooperative housing of at least 5 units	Non-profit corporation or trusts and qualified sponsors who intend to sell the project to non-profit corporations or trust.	Units must be occupied by members of non-profit cooperation ownership.	Limits range from $19,500 to $43,758 with increases in high cost areas.	HUD/FHA current rate	30 years or 35 years if the mortgage is unacceptable under 30 year term	Active	1) Mortgagees must be HUD approved. 2) Investor-sponsor mortgagor may obtain 90% mortgage and 100% mortgage if sold to a cooperative mortgagor.
Section 220(h) Major Home Improvements in Urban Renewal Areas	Family properties having 1-11 living units in urban renewal areas	Investors, builders, developers, individuals, home owners, apartment owners		$12,000 a unit limit, with 45% increases in high cost areas with $40,000 total loan limit	HUD/FHA current rate	Lesser of 20 years or 3/4 of remaining economic life of structure	Active but infrequently used because of urban renewal phase out	Loans in amounts up to $40,000 to improve 5-11 family properties may be processed either as home or multi-housing improvement loans.

TABLE II HUD/FHA LOAN INSURANCE PROGRAM SUMMARY (Continued)

TITLE PROGRAM	WHAT KIND OF HOUSING IS ELIGIBLE	WHO MAY APPLY FOR LOAN INSURANCE	WHAT RESTRICTIONS APPLY TO HOUSING RESIDENTS	WHAT ARE INSURABLE LOAN LIMITS	INTEREST RATE	TERM	WHAT IS THE PROGRAM STATUS	OTHER PROGRAM INFORMATION
Section 221 d(2) Purchase,Construction, and Rehabilitation of Low-Cost Family Housing	1-4 unit dwellings	Any homeowner may apply. Special terms for displaced persons. Program set up for lower income families.	Income level for initial occupancy is 95% of area median income.	HUD/FHA limits range from $31,000 to $59,400 with increases up to $68,000 in high cost areas	HUD/FHA current rate	40 year maximum for displaced persons, 30 years or 3/4 of economic life of structure for others	Active	1) Minimum required down-payment is $2,000 per d.u. for displaced families. 2) Persons threatened by government displacement qualify as well for special terms. 3) Disaster displacement also qualifies.
Section 221 d(3) (4) New Construction and Rehabilitation of Multi-family Low-Cost Rental Housing	Multi-family housing of at least 5 units. Rental and cooperative.	Public agencies; Non-profit,limited-dividends, or cooperative organizations; Private builders who sell completed projects to above organizations are eligible under d(3). d(4) is limited to profit-motivated sponsors.	No income requirements for tenants, although displaced families must be given priority.	Loan limits range from $18,450 to $41,494 with increases of up to 45% in high cost areas.	HUD/FHA current rate	Lesser of 40 years or 3/4 remaining economic life of structure	Active	1) HUD will insure 100% of project value under d(3) but 90% under d(4) 2) Units under both provisions may qualify for Section 8 3) Refinancing with substantial rehabilitation of property already owned.
Section 223 (e) Special Risk Insurance Fund Purchase or Rehabilitation of Housing in Older Declining Urban Areas	Single family housing located in older declining areas	Home or project owners eligible for specific FHA mortgage insurance they are seeking.	Requirements of specific program applicable.	Requirements of specific program applicable	Requirements of specific program applicable	Term shall not exceed 30 years for home mortgages and 40 years for multi-family units	Active	Applicant applies for specific HUD/FHA program but receives special credit risk consideration under 223(e) if living in older declining area.
Section 223 (f) Purchase or Refinancing for Existing Multi-family	Multi-family rental of 8 or 9 units at least 3 years old	Investors, builders, developers, and others who meet FHA requirements.	No income requirements.	Limit of 85% of value, or amount which can be paid by 85% of net income, and by unit limitations under Section 207.	Not exceed maximum allowed under Section 207	Term shall not be less than 10 years or exceed 35 years	Active	Insurance allows owners to refinance with long-term lower interest loans.

TABLE II HUD/FHA LOAN INSURANCE PROGRAM SUMMARY (Continued)

TITLE PROGRAM	WHAT KIND OF HOUSING IS ELIGIBLE	WHO MAY APPLY FOR LOAN INSURANCE	WHAT RESTRICTIONS APPLY TO HOUSING RESIDENTS	WHAT ARE INSURABLE LOAN LIMITS	INTEREST RATE	TERM	WHAT IS THE PROGRAM STATUS	OTHER PROGRAM INFORMATION
Section 231 New Construction or Rehabilitation of Rental Housing for Elderly or Disabled	Project must have at least 8 units	Investor, builder, developer, public body or non-profit sponsor	Renters must be at least 62 years of age or be a handicapped person.	Loan limits vary from $18,450 to $34,846 with increases for elevator apartments and high cost area.	HUD/FHA current rate	Lesser of 40 years or 3/4 of the remaining economic life of structure	Active	For non-profit and public sponsors the maximum amount is equal to 100% of estimated value after rehabilitation. For other mortgages, 100% of rehabilitation costs allowable.
Section 233 New Construction or Rehabilitation of Housing using Advanced Technology and Experimental Design	Single or multi-family housing	Home or project owners meeting requirements of other FHA mortgage programs.	Requirements of specific programs applicable	Requirements of specific programs applicable.	Requirements of specific programs applicable	Requirements of specific programs applicable	Active	
Section 234 (d) New Construction or Rehabilitation of Housing for Sale as Condominimum Units	Condominium housing of at least 4 units	FHA approved profit or non-profit sponsor may apply. Credit worthy individuals may apply for mortgage on individual unit in a project under 234 (c)	No income requirements	Loan limits vary from $19,500 to $36,000 with increases for elevator projects and high cost areas.	HUD/FHA current rate	Lesser of 40 years or 3/4 of remaining economic life of structure	Active	
Section 241 Supplemental loans Rehabilitation and Improvements of Apartment Housing Nursing Homes, and Hospital with FHA Insurance	Multi-family housing as well as health care facilities	FHA approved owners of apartment projects and health care facilities with FHA insurance	No income requirements.	Supplemental loan is limited to not more than 90% of cost of improvements.	Rate agreed to by lender & borrower but not in excess of maximum FHA rate	Not longer than the remaining term of the existing mortgage	Active	Statuatory dollar limits are applicable to the total outstanding mortgage and the supplemental loans.
Title 1 Property Improvement	Single or multi-family housing, mobile homes and some non-residential structure.	Any borrower with acceptable credit and ownership or lease of property	No income requirements.	Single-family limits of $15,000, multi-family limit of $5,000 a unit, not to exceed $25,000	12% limit +.5% MIP paid by lender	15 years and 32 days for single family, 12 years 32 days for multi-family	Active	HUD/FHA liability limited to 90% of loss in each individual loan, 10% of all loans made by individual

PROGRAM TITLE

LOAN INSURANCE FOR MAJOR HOME IMPROVEMENTS - SECTION 203(k)

National Housing Act of 1934, as amended

PROGRAM DESCRIPTION

This program provides for long-term insured mortgage financing of major improvements or alterations to structures containing 1-4 family units. The amount insurable is $12,000 per family unit, with increases in high cost areas. Investors, builders, developers, and others who meet HUD mortgage requirements are eligible for loans, with a term of 20 years or 3/4 the remaining economic life, whichever is less. The property must be at least 10 years old.

PROGRAM TITLE

MULTI-FAMILY RENTAL HOUSING - SECTION 207 FOR MULTI-FAMILY HOUSING

National Housing Act of 1934, as amended

PROGRAM DESCRIPTION

The FHA insures mortgages made by private lending institutions to finance the construction or rehabilitation of multi-family rental housing of at least 8 dwelling units. Housing in this program should accommodate families at reasonable rents. The housing project must be located in areas approved by FHA for rental housing or where market conditions show a need for such housing. Investors, builders, developers and others who meet FHA requirements are eligible.

Maximum loan is based on 90% of the after rehabilitation value of HUD guidelines on limits per dwelling unit. The term of the mortgage on the eligible property is 40 years, or not in excess of 3/4 of the structure's economic life, whichever is less.

Major multi-family construction or rehabilitation and improvement mortgages may be insured under this program. The sponsor should submit a formal application through HUD-FHA approved mortgage, to the field office serving the area in which the property is located.

PROGRAM TITLE

MOBILE HOME PARKS - SECTION 207 FOR MOBILE HOME PARKS

National Housing Act of 1934

PROGRAM DESCRIPTION

Mortgages by private lending institutions to help finance the construction or rehabilitation of mobile home parks will be insured by FHA. Forty year mortgages are limited to $3900 per individual mobile home space or 90% of the FHA after rehabilitation value, whichever is less. The limit may be increased by up to 45% in high cost areas. Qualified investors, builders, developers, and others may apply. The project must include at least 8 spaces and must make adequate provision for families with children. There are no income requirements for tenants. Rents for the mobile homes must be linked to the incomes of the market to be served. Eligible mobile home parks must be totally owned or under a 99+ year lease, with some exceptions for government agencies or Indians.

PROGRAM TITLE

COOPERATIVE HOUSING - SECTION 213

National Housing Act of 1934 amended by Section 114 of the Housing Act of 1950

PROGRAM DESCRIPTION

FHA insurance is provided for mortgages made by private lending institutions in cooperative projects of 5 or more units which will be occupied by members of non-profit cooperative ownership housing corporations. This includes loans for rehabilitation, improvement, or repair of a project already owned, and resale of individual memberships as well as rehabilitation of projects that the owners intend to sell to non-profit cooperatives.

PROGRAM TITLE

MORTGAGE AND MAJOR HOME IMPROVEMENT LOAN INSURANCE FOR URBAN RENEWAL AREAS - SECTION 220(h)

National Housing Act of 1934 as added by Section 102 of Housing Act of 1961

PROGRAM DESCRIPTION

The FHA insures mortgages on new or rehabilitated homes or multi-family structures located in designated urban renewal areas and insures supplemental loans to finance improvements that will enhance and preserve salvageable homes and apartments in urban renewal areas. Investors, builders, developers, individual homeowners, and apartment owners are eligible.

This program is not very active because urban renewal activities are being phased out. However, insurance is still available for those areas.

PROGRAM TITLE

HOMEOWNERSHIP FOR LOW AND MODERATE INCOME FAMILIES, INCLUDING REHABILITATION - SECTION 221 D(2)

National Housing Act of 1934 as amended by Section 123, Section 221 d(2) of Housing Act of 1954

PROGRAM DESCRIPTION

HUD insures lenders against the loss in mortgage loans used to finance the purchase, construction or rehabilitation of low-cost, 1 to 4 family housing. Maximum insurable loans vary from $31,000 to $68,000 depending upon the size of the family and the housing costs in an area. Although anyone may apply, preference is given to families of low and moderate income and to families displaced by governmental action. Special benefits are available for displaced families through urban renewal, code enforcement, condemnation or other public actions. Section 221 (d)2 is especially appropriate for insuring mortgages to repair or rehabilitate property. Special forms should be requested from HUD and given to a lender when making an application for mortgage insurance under this section.

PROGRAM TITLE

MULTI-FAMILY RENTAL HOUSING FOR LOW AND MODERATE INCOME FAMILIES - SECTION 221 d(3) AND 221 d(4).

National Housing Act of 1934 as added by Housing Act of 1954

PROGRAM DESCRIPTION

FHA offers two insurance programs to help finance the construction or substantial rehabilitation of multi-family (5 or more units) rental or cooperative housing for displaced low and moderate income families. Under 221(d) (3) HUD will insure 100% of the project value for non-profit organizations or 90% for limited dividend organizations up to 40 years. The 221 (d) (4) program will insure 90% of the project value for profit-motivated sponsors. The maximum loan amounts may be increased by up to 45% in high cost areas.

Both programs have mortgage limits set by statute and use the FHA ceiling interest rate. Projects using either of these programs may qualify for Section 8 leased housing assistance. Eligible recipients are individuals, partnerships, corporations, or other legal entities approved by HUD. The program is currently active.

PROGRAM TITLE

HOUSING IN DECLINING NEIGHBORHOODS - SECTION 223 (e)

National Housing Act of 1934 as added by Section 103 of Housing and Urban Development Act of 1968

PROGRAM DESCRIPTION

HUD insurance against loss on mortgage loans to finance the purchase, rehabilitation or construction of housing in older, declining, but still viable urban areas where conventional loans may not be available. The property must be considered an "acceptable risk". All homeowners or project owners who meet specific FHA insurance requirements are eligible. In judging "acceptable risk", HUD-FHA will waive normal "economic soundness - economic life" requirements with respect to the location and term of the mortgage if the property is in a location which is considered to be reasonably viable. This program is best suited to declining areas of a city where mortgages for home ownership and improvement may be denied because of redlining or other lender policies. Rehabilitation costs must exceed 10% of the HUD-FHA value of the property.

PROGRAM TITLE

MORTGAGE INSURANCE FOR PURCHASE OR REFINANCING OF EXISTING MULTI-FAMILY HOUSING - SECTION 223(f)

Housing and Community Development Act of 1974

PROGRAM DESCRIPTION

Section 223(f) authorizes HUD to insure mortgages executed in connection with the purchase or refinancing of an existing multi-family project. This program allows FHA mortgage insurance for multi-family projects without a requirement for substantial rehabilitation. It was especially instituted to encourage rehabilitation and property conservation through transferring ownership or refinancing outstanding indebtedness.

Mortgagors may be either public or private investors, builders, developers and others who meet FHA requirements. Only multi-family projects of at least 8 units that are three or more years old are eligible.

The program is designed to serve property owners who want to rehabilitate projects without the need to increase rent levels. Owners may refinance existing short-term high interest rate loans with long-term lower interest rate loans.

PROGRAM TITLE

MORTGAGE INSURANCE FOR HOUSING FOR THE ELDERLY - SECTION 231

National Housing Act of 1934, added by Housing Act of 1959

PROGRAM DESCRIPTION

Under Section 231, the FHA insures mortgages to build or rehabilitate multi-family projects consisting of 8 or more units. Persons at least 62 years old and handicapped persons are eligible to rent such units. Eligible applicants are developers, public entities or non-profit housing sponsors. The program is currently active.

PROGRAM TITLE

INSURANCE FOR HOUSING USING ADVANCED TECHNOLOGY - SECTION 233

National Housing Act of 1961

PROGRAM DESCRIPTION

Section 233 is a program which insures mortgages in multi-family housing projects that incorporate new or untried construction concepts aimed at reducing housing costs, raising living standards and improving neighborhood design. The program is designed to achieve these ends by reducing risk involved in insuring mortgages on housing incorporating experimental features. Existing properties to be repaired, rehabilitated, or improved which utilize experimental design are eligible for Section 233 insurance.

PROGRAM TITLE

CONDOMINIUM HOUSING - SECTION 234(d)

Housing Act of 1934 as amended by the Housing Act of 1961

PROGRAM DESCRIPTION

The FHA will insure mortgages made by private lenders for the purchase of individual family units in multi-family projects. Additionally, sponsors may obtain FHA insured mortgages to finance the construction or rehabilitation of housing projects which they intend to sell as individual condominium units. A project must contain a minimum of four dwelling units. Any qualified sponsor may apply for a blanket mortgage covering the project, and credit-worthy persons may apply for a mortgage on individual units in a project.

Conventionally financed developments that have in excess of 11 units are ineligible for insurance under Section 234 unless they are substantially rehabilitated according to provisions of the Section. Mortgages in a condominium development of 11 or less units are eligible for insurance. The loan amount is based on 90% of the replacement cost or the sum of the unit mortgage amounts as determined by HUD, whichever is less. The term is 40 years or 3/4 of the remaining economic life of the structure, whatever is less.

This FHA program may be used to rehabilitate and sell individual condominium units. However, because of the complex legal relationships of condominium developments, interested persons should carefully review Section 234 provisions to determine project feasibility and eligibility.

PROGRAM TITLE

SUPPLEMENTAL LOANS FOR MULTI-FAMILY PROJECTS - SECTION 241

National Housing Act of 1934 as amended by Section 307 of Housing and Urban Development Act of 1968

PROGRAM DESCRIPTION

The FHA insures loans made by private lending institutions to pay for improvements to apartment projects, nursing homes or hospitals that carry FHA insured mortgages. Qualified owners of projects and health care facilities are eligible. The program may also be used to finance the purchase of equipment for the operation of nursing homes, group medical practice and intermediate care facilities. The supplemental loan is limited to not more than 90% of the HUD-FHA estimate of the cost of improvement or addition and the term to a period not longer than the remaining term of the mortgage.

PROGRAM TITLE

HOME IMPROVEMENT LOAN INSURANCE - TITLE I

INCLUDING HISTORIC PRESERVATION PROGRAM EXPANSION

National Housing Act of 1934 as amended in Housing Act of 1956

PROGRAM DESCRIPTION

The FHA will insure loans to finance improvements, alterations and repairs of either owned or rented individual homes. Loans may be up to $15,000, bear interest of up to 12% and be paid back over 12 years. Loans on apartment buildings may be $5,000 per unit but not to exceed $25,000 for the building. Lenders determine eligibility for and process loans which are generally unsecured personal loans. Leases of tenants must be at least 6 months longer than the loan term.

Congress has expanded the Title I program to include a historic preservation loan program, which will insure loans for the preservation, restoration, and rehabilitation of residential property listed in or eligible for listing in the National Register of Historic Places. Loans up to $15,000 per dwelling unit for 15 year terms will be eligible for this program.

To determine whether owner may qualify for Title I insurance, the individual should consult with a FHA approved lender.

FARMERS HOME ADMINISTRATION PROGRAMS

US DEPARTMENT OF AGRICULTURE

INTRODUCTION

Several different conservation programs are available through the Farmers Home Administration (FmHA) which can be used in selected rural areas.

> Rural areas include open country and places with population of 10,000 or less that are rural in character and not closely associated with urban areas. Loans may be made in towns with populations between 10,000 and 20,000 that are outside of SMSA's if the Secretaries of Agriculture and HUD find there is a serious lack of mortgage credit in these areas.

In Santa Clara County, only a few locations still qualify. These include rural farm areas in unincorporated areas or isolated foothill areas on the western side of the county.

The available programs are summarized on Table III. The Table is followed by brief descriptions of all current FmHA programs.

ADMINISTRATIVE STRUCTURE OF FmHA PROGRAMS

Local Agency Role

The city planning or community development agency should direct interested groups and individuals to the FmHA county supervisor at the local Farmers Home Administration office. The FmHA county supervisor is both the information officer and the loan and grant service administrator for FmHA programs. Applicants should submit a legal description of property and other appropriate information when applying for FmHA assistance.

State Role

The Department of Housing and Community Development provides technical assistance for FmHA programs, and preliminary planning through the Predevelopment Loan Fund, for projects assisted with FmHA funds.

Federal Role

The FmHA county supervisor accepts applications and makes funding decisions. Information on all programs is available through the FmHA County Supervisor's office.

ESTIMATED COSTS

No direct costs to the locality or to the applicant other than application and preliminary plans preparation costs.

ANTICIPATED PROGRAM RESULTS

Rapid urbanization of many rural areas has limited the eligibility for FmHA assistance to selective locations. This has been the case in Santa Clara County. However, certain low and moderate income residents in unincorporated areas that are not "closely associated" with urban areas may qualify for assistance under one of the FmHA programs.

CONTACT SOURCES

Information from Federal Office is available by contacting:

Farmers Home Administration
US Department of Agriculture
Washington, D.C. 20250

For local information and application forms, contact:

Mr. Federico D. Rosete
County Supervisor, FmHA
25 W. First Street
Morgan Hill, California 95037
(408) 779-2179

For information on the state level, contact:

Patrick Sabelhaus, Assistant Chief
Division of Community Affairs
California Department of Housing & Community Development
921 10th Street
Sacramento, California 95814
(916) 445-0836

TABLE III FARMERS HOME ADMINISTRATION PROGRAM SUMMARY
(All programs for use in rural areas)

Santa Clara County Planning Department

TITLE OF PROGRAM	WHAT TYPE OF SUBSIDY IS AVAILABLE	WHO MAY APPLY	WHAT ARE MAJOR REQUIREMENTS/RESTRICTIONS	TERM AND INTEREST	STATUS OF PROGRAM	OTHER PROGRAM INFORMATION
Section 502 Basic Homeownership Program	Housing loan for purchase or repair of single family house.	Owner-occupants who are of low or moderate income (as of 7-77, low income level is $10,000 and $15,600 for moderate income)	1) HUD/FHA MPS are required. 2) Loans over $2,500 require mortgage.	33 year term with 8% interest, with additional subsidies available for low income.	Active	1) Loans available for up to 100% of FmHA appraised value. 2) Refinancing is allowed if necessary to eliminate potential financial hardship.
Section 502 Rural Housing Disaster Loans	Housing loans for replacement or repair of dwellings damaged by a natural disaster.	Owner-occupants of non-farm properties.	Property damaged from natural disasters designated by the President or the Small Business Administartion are ineligible.	33 year term with 5% interest	Active	
Section 502 Rehabilitation Incentive Program	Housing loans for rehabilitation of single-family homes	Owner-occupant with net worth not exceed-$5,000 (excluding value of site and dwelling)	1) Loan cannot exceed $7,000 and 25 year term. 2) HUD/FHA MPS are required.	25 year term	Active	Income of $0 to $3,000 allow 1% interest $3,000 to $5,000 allow 2% interest, $5,000 to $7,000 allow 3% interest.
Section 504 Home Repair Program	Housing loans and grants for rehabilitation of single-family homes.	Owner-occupants not eligible for Section 502. Grant applicants must be over 62 years of age.	1) Grant recipients may not sell property for 3 years. 2) Maximum loan or grant is $5,000. 3) MPS not required.	Loan term varies according to dollar amount (from 10 to 20 years). Interest is 1%.	Active	1) Loan applicants may obtain a cosigner to assume partial liability. 2) Refinancing is allowable if necessary to eliminate potential financial hardship.
Section 515 Rural Rental Housing Repair Program	Housing loans for construction, purchase or rehabilitation of low income rental housing.	Individuals, non-profit and profit oriented sponsors who are unable to obtain financing may apply.	1) Housing must be occupied by senior citizens over 62 or by low and moderate income persons 2) MPS required	40 year term with fluctuating interest depending upon tenant income.	Active	1) No maximum loan amount. 2) Maximum loan-to-value for non-profit sponsors is 102% (2% for operating costs) and 95% for other than non-profit sponsors.
Section 514/516 Farm Labor Housing Loans and Grants	Housing loans and grants for low-rent, non-profit housing for farmworkers.	Farmers and associations of farmers may apply for loans. Public bodies and non-profit organizations may apply for loans and grants.	1) HUD/FHA MPS required. 2) Rents should not exceed 25% of A.G.I. and must be approved by FmHA.	33 year term with 1% interest on loan	Active	Maximum loan/grant available up to 100% of cost; loan up to 100% of cost; grant up to 90% of cost.
Section 525 Technical and Supervisory Assistance	Grants for developing comprehensive programs of technical and supervisory rehabilitation and construction assistance for low-income persons.	Non-profit groups planning for housing or rehabilitation assistance		Interest free	Active	Costs may include such things as preliminary surveys and analysis of market needs, architectural fees and construction loan fees.
Guarenteed Loan Program	FmHA loan insurance for rural housing loans	Moderate income families ($10,000 to $15,600)	Loans must be originated and serviced by FmHa approved lender.			

PROGRAM TITLE

BASIC HOME OWNERSHIP PROGRAM - Section 502

Housing Act of 1949

PROGRAM DESCRIPTION

The FmHA provides loans in rural areas to finance homes and building sites. Home ownership loans may be used to buy, build, improve, repair, or rehabilitate rural homes and related facilities and to provide adequate water and waste disposal systems. Funds may be used to modernize homes, add bathrooms, rooms, central heating, modern kitchens and other improvements. Refinancing is allowable under certain conditions.

Home ownership loans are offered to help low and moderate income families who are without decent, safe and sanitary housing and are unable to obtain private loans with reasonable terms and conditions. Families must have sufficient income to pay house insurance, taxes and maintenance payments and to meet loan obligations. FmHA adjusted annual income for California as of July, 1977 was $10,000 for low income and $15,600 for moderate income families. Maximum repayment period is 33 years with loans available for up to 100% of FmHA appraised value. There are no minimum mortgage amounts, although there are restrictions as to house size. Interest rates are 8% although subsidies to 1% are available based on applicants income. For rehabilitation, the property must be brought up to HUD/FHA minimum property standards. Appraisals are required on loans greater than $5,000.

PROGRAM TITLE

RURAL HOUSING DISASTER LOANS - Section 502

PROGRAM DESCRIPTION

Rural housing disaster loans may be made to non-farm families to replace/repair dwellings damaged or destroyed by a federally declared natural disaster. Loans are made at 5% for 33 years.

Loans may be made to eligible non-farm families who owned and personally occupied the dwelling as their permanent residence and the loss was not a result of a disaster designated by the President or a national disaster designated by the Administrator of the Small Business Administration, in which case other special funds would be available.

PROGRAM TITLE

REHABILITATION INCENTIVE PROGRAM - SECTION 502

PROGRAM DESCRIPTION

The Section 502 Rehabilitation Incentive Program gives interest credits when the loan is $7,000 or less and does not exceed a 25 year term. Families whose net worth does not exceed $5,000 are eligible for loan interest rate subsidies of 1% with an adjusted annual income to $3,000, 2% if their income is from $3,000 to $5,000 and 3% with an annual adjusted income of $5,000 to $7,000.

PROGRAM TITLE

RURAL HOUSING LOANS AND GRANTS

HOME REPAIR PROGRAM - SECTION 504

Housing Act of 1949

PROGRAM DESCRIPTION

The basic objective of Section 504 loans is to assist owner-occupants who do not qualify for Section 502 loans to repair or improve their dwellings. Applicants must own and occupy a home in a rural area and must not have sufficient income to qualify for a Section 502 loan. An applicant may obtain a co-signer to help secure a loan. Loans are made for such improvements as the provision of sanitary water and waste disposal systems, repairing roofs, supplying screens, or adding rooms if necessary to remove health hazards.

These loans carry a 1% interest rate for 20 years with maximum loan amount of $5,000. Loan and grant combinations and grants are available to persons over 62 years of age under certain conditions.

PROGRAM TITLE

RURAL RENTAL HOUSING - Section 515

PROGRAM DESCRIPTION

Loans under Section 515 are available in rural areas to build, purchase, repair or rehabilitate apartment style housing. The rental housing must be modest in design, size, and cost but adequate to meet tenant's needs. Assistance is provided on the basis of housing being occupied by either senior citizens 62 years or older or families with low or moderate income. Sponsors can be non-profit, profit oriented, or "limited" profit individuals or groups. Applicants must show they are unable to obtain credit elsewhere on terms and conditions that they could afford. Applicants must be the owner of the site, must be unable to secure conventional financing, and be able to repay the loan.

Maximum repayment is 50 years for senior citizen projects and 40 years for all other projects. There is no minimum loan amount. Applicants are required to provide initial

operating capital equal to at least 2% of the cost of the project unless applicant is a non-profit organization or state or local public agency where 2% operating capital may be included in loan. Loans range from 80 to 100% of appraised value or development cost depending upon type of sponsor and project characteristics.

The housing must be in communities of 10,000 or less population or between 10,000 to 20,000 if outside of a SMSA. Tenants annual income can not exceed $15,600. Renters in projects owned by non-profit or limited profit sponsors pay a rent which covers debt payments and operating costs or 20% of their adjusted income.

PROGRAM TITLE

FARM LABOR HOUSING LOANS - SECTION 514

FARM LABOR HOUSING GRANTS - SECTION 516

Housing Act of 1949

PROGRAM DESCRIPTION

Funds under this program may be used to build, buy, improve, repair and rehabilitate farm labor housing and to provide related facilities such as recreational facilities, community buildings, child care facilities, water and waste disposal facilities, laundries, parking lots and landscaping. Housing financed under Section 514 and 516 must be operated on a non-profit basis. Loans up to 100% of the costs are available at 1% interest for a term of 33 years or the useful life of security, whichever is less. Public bodies, non-profit organizations, farmers and farmer associations are eligible to receive loans. Participants must have sufficient operating capital to pay costs such as property and liability insurance and other basic initial expenses not included in the loan. They must, however, be unable to obtain funds from private lenders on favorable terms and conditions. Refinancing is not allowed. Grants up to 90% of the costs are available to State political subdivisions, broadly based non-profit organizations, or farmworkers non-profit organizations. A grantee must be unable to provide necessary housing from its own resources, including FmHA labor housing loans. Rents may not exceed amounts approved by FmHA and are set at 25% of adjusted annual income.

PROGRAM TITLE

TECHNICAL AND SUPERVISORY ASSISTANCE FOR LOW INCOME FAMILIES - SECTION 525

Housing and Community Development Act of 1974

PROGRAM DESCRIPTION

The Secretary of Agriculture can make grants or enter into contracts with public or private non-profit groups for the purpose of paying all or part of the costs of developing

and administering comprehensive programs of technical and supervisory assistance for low-income persons in rural areas. Interest-free loans can be made to non-profit groups for planning and obtaining financing for the rehabilitation or construction of housing for low-income individuals with preference given to public or non-profit groups who are sponsored by a governmental entity.

Costs may include such things as preliminary surveys and analysis of market needs, preliminary site engineering, architectural fees and construction loan fees.

PROGRAM TITLE

GUARANTEED LOAN PROGRAM

PROGRAM DESCRIPTION

Under this program, FmHA will guarantee private institutional loans made to moderate income families. Loans must be originated, made and serviced by FmHA approved private lenders. FmHA county officers review applications and issue the guarantee contract. The guaranteed loan program is similar to the HUD/FHA insurance program.

FEDERAL HISTORIC PRESERVATION RESOURCES

Department of Interior, Office of Heritage Conservation and Recreation Services

INTRODUCTION

The Department of Interior's Office of Heritage Conservation and Recreation Service is the Federal agency responsible for the designation of historic properties, publication of the National Register of Historic Places, and the administration of preservation grants-in-aid. This agency also oversees the protection of historic properties in the course of planning Federal projects through comment by the Advisory Council on Historic Preservation. The major historic preservation programs of the Department of Interior and related mechanisms are described below.

PROGRAM TITLE

NATIONAL REGISTER OF HISTORIC PLACES, instituted by and amended by:

Historic Sites Act of 1935

Historic Preservation Act of 1966

Executive Order 11593 of 1971

PROGRAM DESCRIPTION

The National Register of Historic Places is the nation's official list of cultural resources worthy of preservation. It includes districts, sites, buildings, structures and objects of significance in American history, architecture, archeology and culture. Properties of local, state, regional, and national significance are included. With the exception of certain designations based on national significance, properties are nominated for inclusion in the National Register by a State Historic Preservation Officer following a state review process, and in accord with a state program of survey and identification. Designation as a Historic Place on the National Register establishes eligibility for a variety of planning, technical, and financial assistance programs, including Federal preservation grants-in-aid; protection in the Federal planning process; tax-incentives; and low-interest improvement loans from the private National Trust for Historic Preservation. The National Trust, the nation's primary coordinator for historic preservation activities, offers a variety of other benefits and services for registered properties.

ADMINISTRATIVE STRUCTURE

Local Agency Role

Local government agencies should, where appropriate, facilitate the designation of historic sites, districts, and structures, and then submit selected properties for nomination to the State Historic Preservation Officer. In addition the local agency should publicize available historical preservation resources and necessary steps which individual property owners must go through to receive National Register designation.

State Role

Properties of national, state, or local significance may be nominated by a state's Historic Preservation Officer and are placed on the Register upon approval by the Advisory Council on Historic Preservation and the Secretary of the Interior. Individuals who would like to have property nominated for inclusion in the National Register should contact their State Historic Preservation Officer.

APPROVAL PROCESS - ELIGIBILITY CRITERIA

The following criteria is used to evaluate potential entrees to the National Register:

1. The quality of significance in American history, architecture, archeology, and culture is present in districts, sites, buildings, structures, and objects that possess integrity of location, design, setting, materials, workmanship, feeling and association, and:

   A. that are associated with events that have made a significant contribution to the broad patterns of our history; or

   B. that are associated with the lives of persons significant in our past; or

   C. that embody the distinctive characteristics of a type, period, or method of construction; or that represent the work of a master; or that possess high artistic value; or that represent a significant and distinguishable entity whose components may lack individual distinction; or

   D. that have yielded, or may be likely to yield, information important in prehistory or history.

2. Special consideration must be given to religious property, birthplaces, graves, cemeteries, reconstructed buildings, and properties less than fifty years of age to be eligible.

EXPECTED COSTS

Minor costs to local agency for publicizing program and disseminating information. Costs would include minimal printing and staff time.

ANTICIPATED PROGRAM RESULTS

Designation of Historic Places within a community should become part of a comprehensive housing conservation program. Upon inclusion in the National Register, districts, sites, or structures become eligible for federal improvement assistance and associated conservation benefits, as outlined in other program descriptions.

CONTACT SOURCES

In California, requests for information and proposals for designation of a property to be included in the National Register should be directed to:

Dr. Knox Mellon
California State Preservation Officer
Department of Parks and Recreation
P.O. Box 2390
1416 Ninth Street
Sacramento, California 95811
(916) 445-8006

National Trust for Historic Preservation
Western Regional Office
681 Market Street #859
San Francisco, California 94105
(415) 543-0325

For information on the national level contact:

Department of Interior
Heritage Conservation and Recreation Service
Washington, DC 20006
(202) 343-1100

Advisory Council on Historic Preservation
1522 K Street NW
Washington, DC 20005
(202) 254-3974

PROGRAM TITLE

HISTORIC PRESERVATION GRANTS-IN-AID

PROGRAM DESCRIPTION

In order to help meet the financial burden of protecting historical resources, the National Historic Preservation Act of 1966 authorized the Secretary of the Interior to develop a program of grants to states and the National Trust for Historic Preservation. Under this program, matching grants-in-aid of up to 50 per cent are available to all fifty states and the National Trust for Historic Preservation. The grants, which are filtered through the State Historic Preservation Office to eligible groups and individuals, may be used to prepare historic preservation surveys and plans and for acquisition, improvement, and development of properties listed under the National Register. All projects must be in accordance with an approved State Historic Preservation Plan. Eligible applicants for preservation grants-in-aid are cities, foundations, non-profit organizations, or individuals who own property listed on the National Register of Historic Places.

ADMINISTRATIVE STRUCTURE

Local Agency Role

The local agency should inform interested individuals and groups of the available preservation grants. Additionally, the agency may itself apply for a grant-in-aid.

State Role

The state must accept applications, review application in terms of state Historic Preservation Plan, and then make appropriate project funding.

Applicant Role

Applicants with property listed in National Register should contact State Historic Preservation Office and then submit application. Applicant should make certain that property conforms to the State Historic Preservation Plan. Preservation development activities, which include protection, rehabilitation, restoration, and reconstruction of historic properties, must conform to standards established by the Secretary of Interior. Appropriate plans, specifications, shop drawings, or other materials must be submitted to state. When privately-owned property receives funding, the title to the property is encumbered with recorded preservation agreement, binding the owner and successive owners to maintain the integrity of the property for a specified time period.

EXPECTED COSTS

Applicant, whether an individual, city or foundation, must match the grant-in-aid with at least an equal amount of its own funds. This amount would vary from project to project.

ANTICIPATED PROGRAM RESULTS

Preservation grants-in-aid offer an eligible city, group, or individual a supplemental pool of funds to acquire and/or improve historic property. Cities may desire to preserve a certain residence or structure, or provide protection for a city district. Funds for such a project may be available through this program.

CONTACT SOURCE

For information on this program, contact the State Preservation Officer.

Dr. Knox Mellon
California State Preservation Officer
Department of Parks & Recreation
P.O. Box 2390
1416 Ninth Street
Sacramento, California 95811
(916) 445-8006

PROGRAM TITLE

INCOME TAX PROVISIONS AND INCENTIVES FOR REHABILITATION AND HISTORIC PRESERVATION

Section 2124 of Tax Reform Act of 1976

Public Law 94-455

PROGRAM DESCRIPTION

Section 2124 of the Tax Reform Act of 1976 establishes important tax incentives for rehabilitation and preservation of historic commercial and income-producing residential structures. The Act contains provisions designed to stimulate rehabilitation and discourage destruction of historic buildings. Income tax advantages under this act became effective after June, 1976 and will expire in June of 1981 unless Congress extends its existance.

Eligible structures must be designated a "certified historic structure" by the Secretary of the Interior. Generally, a "certified historic structure" is any structure which is either: 1) listed individually in the National Register of Historic Places; or 2) located within and certified by the Secretary of the Interior as being of historic significance to a district listed in the National Register of Historic Places; or 3) located within a historic district designated under a state or local statute that has been certified by the Secretary of the Interior. Eligible structures must also fall under Section 167 of Internal Revenue Code of 1954, which limits depreciation deductions to those structures in a trade or business or held for the production of income, such as commercial or residential rental properties.

The following tax provisions of the 1976 Tax Reform Act are applicable to historic preservation:

1. Section 191 provides that a taxpayer may amortize over a 60-month period any capital expenditures incurred in a certified rehabilitation project. This depreciation deduction is in lieu of other allowable deductions. To take advantage of this provision, rehabilitation expenditures must occur between June 14, 1976 and June 15, 1981. This depreciation mechanism allows the user substantial tax savings within a short period of time, rather than spreading the tax deductions over the life of the property.

   Under the 60 month amortization procedure the owner of a certified historic structure may take amortization deductions for any amount spent in connection with the certified rehabilitation. This is contrasted to Section 167 substantial rehabilitation, which has a dollar requirement.

2. Section 280 B provides that the owner or lessee of a certified historic structure cannot deduct any amounts spent for its demolition or for any loss sustained on account of its demolition. This provision applies to demolitions beginning after June 30, 1976 and before January 1, 1978. For tax purposes, demolition costs or losses must be added to the capital account as part of the cost of the land, rather than being deductible as part of the cost of the replacement structure. Properties in historic districts which have been declared by the Department of

the Interior to not be of historic significance are not subject to demolition disincentives.

3. Section 167 prohibits the use of accelerated depreciation methods for any property constructed or reconstructed on a site which was occupied by a certified historic structure which was demolished or substantially altered. This provision is in effect until January 1, 1981.

4. Section 167 also has a provision allowing taxpayers to depreciate substantially rehabilitated historic property using the accelerated depreciation method. The law defines substantially rehabilitated property as any certified historic structure for which the cost of certified rehabilitation during the 24 month period ending on the last day of any taxable year, less any amounts allowed as depreciation or amortization, exceeds the greater of $5,000 or the adjusted basis of the property. To take advantage of this provision, rehabilitation expenditures must occur after June 30,1976, and before July 1, 1981.

5. Section 170 (f) (3) provides that a deduction is allowed for the contribution to a charitable organization or a governmental entity exclusively for conservation purposes of: 1) a lease on, option to purchase, or easement with respect to real property in perpetuity or; 2) a remainder interest in real property. Such contributions also qualify as charitable contributions for estate and gift tax purposes. These tax advantages expire on June 13, 1981.

ADMINISTRATIVE STRUCTURE

Local Agency Role

A city or county, although having no direct role, may be involved in publicizing tax incentives which are available to interested groups and individuals, or in informing IRS officials when Sections 280 (B) or Section 167 of the Internal Revenue Code should be enforced. In addition, a locality may desire to pass an ordinance designating a local historic district and have the statute certified by the State Historic Preservation Office (SHPO) and the Department of the Interior.

State Role

The State Office of Historic Preservation serves as the main information source on various historic preservation programs and distributes appropriate application forms for certification of historic properties and rehabilitation work. SHPO works with the Department of the Interior in finalizing certifications.

ESTIMATED COSTS

Cities or counties actively publicizing these provisions will incur only minimal staff and printing costs.

NECESSARY CONDITIONS TO QUALIFY FOR TAX ADVANTAGES

1. In order to be eligible under Section 2124 of the Tax Reform Act, the structure must be either a certified historic structure, or located within a certified district, and be an income producing property subject to Section 167 of the Internal Revenue Code.

   A. Individually listed National Register properties are automatically certified and therefore eligible for tax provisions. To receive certification of structures not individually listed, contact the State Historic Preservation Officer (SHPO) and fill out Part 1 of the certificate application. The SHPO will review the application and forward it to NPS for final certification.

   B. Properties within districts created under certified state or local statutes must complete Part 1 of the Certification application and submit it to SHPO. The local district must first receive certification from SHPO and NPS.

2. Rehabilitation work to be done on eligible structures must also be certified.

   A. Property owner must obtain certification application from SHPO and complete Part 2 of the application. Part 2 requires information on the existing condition of the structure, a description of rehabilitation work and its effect on existing architectural features, and photographs, drawings, and sketches illustrating existing conditions and the proposed or completed work. SHPO will review work and submit to NPS for further review and evaluation.

   B. Part 2 may be submitted any time during the course on or before start of the work. However, full NPS certification cannot occur until completion of work.

ANTICIPATED PROGRAM RESULTS

A number of changes that serve to encourage historic structure rehabilitation and preservation, and discourage the demolition or alteration of historic structures, were contained in the Tax Reform Act of 1976. These new provisions should play a valuable part in an investors decision whether or not to rehabilitate (or destroy) a historic structure. A locality or neighborhood group could convince an investor to proceed with a rehabilitation project or make an already viable project more attractive by utilizing these provisions. The State Historic Preservation Officer will have information on tax incentives for historic preservation.

PROGRAM TITLE

FEDERAL PROTECTION OF HISTORIC PROPERTIES

Section 106 of National Historic Preservation Act of 1966 and Executive Order 11593

PROGRAM DESCRIPTION

Properties included in the Register are afforded some protection from adverse effects of any Federally funded or licensed project. Section 106 requires Federal agency heads to allow the Advisory Council on Historic Preservation opportunity to comment when actions by their agencies effect registered properties. No restriction is placed upon private owner or upon a state or local government acting without Federal involvement.

ADMINISTRATIVE STRUCTURE

Local Agency Role

The local agency should contact the Advisory Council on Historic Preservation (1522 K Street, N.W., Suite 430, Washington, D.C. 20005) if local historic property is being effected by Federal action. While it is the legal responsibility of the Federal agency involved to inform the Advisory Council, individuals, organizations, and cities concerned about adverse impacts of Federal actions should contact the Council.

ESTIMATED COSTS

No significant cost to local agency or individuals. Minimal staff time necessitated to monitor Federal actions.

ANTICIPATED PROGRAM RESULTS

Protection of local historic places that may be threatened by Federal licensing or construction activity.

US DEPARTMENT OF COMMERCE

ECONOMIC DEVELOPMENT ADMINISTRATION

INTRODUCTION

The Economic Development Administration (EDA) provides a variety of grants, loans and technical assistance to economically depressed areas. Eligible projects may directly or indirectly contribute to the health and stability of a community's neighborhood and housing stock. These programs can be used in conjunction with a community's neighborhood conservation program.

The following programs are offered by the EDA to strengthen the local employment base and create job opportunities. Communities with a strong economic base and low unemployment can not qualify for assistance. In the past year EDA has administered a Local Public Works (LPW) program. However, all funds under this program have been committed and Congress has not extended the assistance.

PROGRAM TITLE

FINANCIAL ASSISTANCE FOR PUBLIC WORKS AND DEVELOPMENTAL FACILITIES

Public Works & Economic Development Act of 1965

PROGRAM DESCRIPTION

Cities, counties and private and public non-profit organizations are eligible to apply and receive public works and development funding assistance. To be eligible, a project must be located within an EDA designated area or a designated Economic Development Center and must be consistent with the approved Overall Economic Development Program (OEDP). The principal requirements for designation are high unemployment and low family income. Areas which suffer a sudden loss of employment may also be eligible.

Grants and loans may be used to acquire, construct, rehabilitate, alter, or improve public works, public service, or development facilities property. Typical projects which would directly improve a neighborhood environment include street and road improvements and neighborhood centers to train the unemployed.

Eligible applicants may receive grants of up to 50% of total project costs or supplementary grants in severely distressed areas which might augment the basic EDA grant. Also, loans may be made for public facilities in severely distressed areas.

ADMINISTRATIVE STRUCTURE

Local Agency Role

A city may apply for an EDA public works grant if project is located in an Economic Development District, which consists of at least one redevelopment area and may include one or more Economic Development Centers. Such centers need not necessarily be located within Redevelopment Areas, but must be identified by the State, be included in the District OEDP, and be designated as centers by EDA. The regional EDA office or local representative has up-to-date lists of designated areas.

Prospective applicants, whether cities or other organizations, should contact the local EDA representative, who can give specific details on the program and arrange a "Pre-Application Conference" with the Regional office. Application forms are provided at the Pre-Application Conference.

State Role

The state may apply for assistance under this program as an individual entity, but it plays no direct role in a city or county project. The state does, however, assist in identification of Economic Development Centers.

ESTIMATED COSTS

The City or sponsoring agency must fund at least 50% of the eligible project costs out of its own revenues. In severely depressed areas, the applicant may receive additional funding. Administration and programming costs for a public works project must come from other city sources.

ANTICIPATED PROGRAM RESULTS

Public works programs help provide depressed areas with public works and development facilities needed to attract new industry and encourage business expansion. Additionally, public works may be used to provide public improvements in declining neighborhoods, thereby helping to stabilize the area. This program can be one tool used in a community's conservation strategy and program.

CONTACT SOURCE

For information on eligibility of specific areas or on the EDA programs, contact:

Hugh Taylor
Economic Development Administration
Suite K
77 Jack London Square
Oakland, California 94607
(415) 273-7081

PROGRAM TITLE

PLANNING GRANTS FOR ECONOMIC DEVELOPMENT (TITLE III)

Public Works and Economic Development Act of 1965

PROGRAM DESCRIPTION

Cities, Redevelopment Agencies, Economic Development Districts, and other development organizations may qualify for planning assistance grants. Such grants may be used for initiating, planning and programming economic development activities. A local government may use the grant to analyze local economics, determine development goals, determine project opportunities, and formulate and implement a development program. The grant may not be used to pay for planning that may overlap or duplicate a program which is being funded or is under consideration by another Federal agency. A sub-state organization must have the endorsement of the State in which the applicant is located.

In addition, Title III Grants will only be given to grantees that have their own professional planning staffs. Grants must be oriented toward planning for improvement of the employment situation in an area. Planning of this nature will contribute to the stability of depressed neighborhoods in our urban area.

The local EDA office has application forms and detailed program information.

PROGRAM TITLE

BUSINESS DEVELOPMENT ASSISTANCE

Public Works and Economic Development Act of 1965

PROGRAM DESCRIPTION

The EDA offers financing assistance for business development projects through direct loans. These can be used to finance fixed assets, direct loans to provide working capital and guarantees of other loans. Applicants for business development loans and guarantees are usually operators of industrial or commercial facilities located, or to be located, in EDA eligible areas. Eligible applicants might include corporations, sole proprietorships, non-profit organizations, municipalities, quasi-public corporations or authorities, and private lending institutions.

Assistance under this Section is not available for relocating businesses or in assisting an industrial or commercial concern which anticipates a long-range excess capacity situation.

EDA grants are generally limited to around $10,000 and guarantees must not exceed 90% of the amount owing on the obligation.

This program, like other EDA assistance, may become instrumental parts of a community or neighborhood improvement effort. Local applicants should obtain necessary forms and pre-application counseling forms from the EDA Regional Office.

PROGRAM TITLE

SPECIAL ECONOMIC DEVELOPMENT AND ADJUSTMENT ASSISTANCE (TITLE IX)

Public Works and Economic Development Act of 1965

PROGRAM DESCRIPTION

Local areas may receive EDA assistance in redressing actual or threatened economic adjustment due to action by the federal government, such as the closing of a federal facility; compliance with environmental requirements which remove activities from a locality; and severe changes in economic conditions, such as technological changes, resource depletion or boom-town conditions created by new economic activity in an area.

Two types of grant assistance are provided under Title IX: development grants to help prepare a strategy for countering economic adjustment problems; and grants to help implement a strategy. Strategy grants may be used for a wide variety of purposes but may not be given to a private, profit making entity.

PROGRAM TITLE

TECNHICAL ASSISTANCE

Public Works and Economic Development Act of 1965

PROGRAM DESCRIPTION

The EDA can provide technical assistance in the form of outside services, or it can grant funds directly to the applicant to carry out an approved program. Technical assistance provides information, data, and know-how in evaluating and/or shaping specific projects and programs in economic development. This program, unlike other EDA programs, is not limited to operations in designated areas or development districts.

The technical assistance service may be carried out by Federal personnel, or by private individuals, partnerships, firms, corporations or others. When a service is provided, the Federal share may be 100%, although a non-Federal contribution in cash or in kind service is encouraged. When a grant is provided, the funds go directly to the applicant who is responsible for program administration. In this situation, the Federal share may not exceed 75% of the cost of a project.

In order to apply, a city or other subdivision should request a pre-application conference with the Economic Development Representative for the specific area or the Regional Office staff. Under this EDA program, valuable technical assistance, or the funds to obtain such assistance, can be used to overcome local economic development problems.

CONTACT SOURCES

For detailed information on EDA programs, contact:

Hugh Taylor
Economic Development Administration
Suite K
77 Jack London Square
Oakland, California 94607
(415) 273-7081

SMALL BUSINESS ADMINISTRATION

INTRODUCTION

The Small Business Administration (SBA) offers financial and technical assistance to small businesses and local development corporations. Realizing the importance of small commercial businesses to the overall neighborhood environment, SBA programs should be considered in a comprehensive neighborhood conservation effort.

For loan purposes, the SBA defines a small business as one meeting these general maximum size standards:

A. **Wholesale** - annual receipts not to exceed from $9.5 - 22 million, depending upon specific industry.

B. **Retail or Service** - annual receipts not to exceed $2 - 8 million, depending upon the category.

C. **General Construction** - annual receipts of not over $9.5 million.

D. **Manufacturing** - a maximum of 250 - 1,500 employees depending on the manufacturing category.

PROGRAM TITLE

SECTION 502 - LOCAL DEVELOPMENT COMPANY PROGRAM

Small Business Investment Act of 1958

PROGRAM DESCRIPTION

A local community may receive assistance from the federal government if a local self-help effort is organized. Long-term loans and loan guarantees are available if the local group organizes itself into an eligible Local Development Company (LDC), invests local funds, and identifies feasible projects. The LDC must invest 10-20% of each project as the "local injection". The company may be either for profit, where funds are raised by selling common stock, or non-profit where the local injection is raised through selling debentures to local banks, from gifts and grants, or from special loan funds set up by city governments, including the use of Community Development Block Grant funds.

Local Development Companies, which must have at least 25 members or stockholders, are usually associated with a local group or organization. At least 75% of the LDC ownership must be held by persons living in or doing business in a target community. The LDC's purpose is to recommend businesses for financing, help coordinate the program with local banks and local government agencies, and to guide the overall development effort in the community.

Long-term low interest loans are made by the Small Business Administration to LDC's for construction conversion, repair, or rehabilitation of business facilities. The SBA loan can be made directly to the LDC if it owns the property and leases it to a business, or the LDC may re-lend the funds to an individual business.

The SBA loan amount can be as much as 80-90% of the total needed, depending upon the local injection. In most cities, especially those needing an active economic development effort, the local injection requirement is 10%. An LDC may borrow up to $500,000 for as long as 25 years from SBA for each small business that it assists. Additionally, the SBA offers another financing option to LDC's. An LDC may contribute 20% and then the SBA will guarantee a bank loan for remaining 80%.

ADMINISTRATIVE STRUCTURE

Local Agency Role

City governments may desire to assist a local neighborhood organization or community group in setting up a Local Development Company, or they may help set up a city-wide LDC. A city-wide LDC would permit Section 502 funding for commercial improvements throughout the city. The city would have to select at least 25 members to set LDC policy, recommend projects, and oversee activities. Direct control over the LDC by the city is not allowed. Legal guidelines for establishing the by-laws and articles of confederation are available from the SBA. Technical assistance may be provided to city governments in all aspects of an LDC program from the National Development Council, which is under contract with the SBA to provide program aid.

Local Development Company Role

A LDC sets overall policies for program operation, selects projects to be funded, and works with local lenders and others to help the project run smoothly.

ESTIMATED COSTS

City costs would depend upon the level of participation in local injection, (local injection ranges from 10-20% of the project cost). Normally, the city would share this cost with private sources. Additionally the city may decide to allocate an economic development staff person to work on packaging loan applications for submission to SBA and to banks. This would only be necessary in a city-wide LDC with heavy loan demand.

STEPS NECESSARY TO SET UP AND IMPLEMENT A LOCAL DEVELOPMENT COMPANY

1. Upon determination that there exists sufficient commercial business improvement, either city-wide or in selected areas, a 25 member board must be selected by either the local agency of the city or a neighborhood group.

2. The Board must select officers and directors.

3. The Board should determine whether it desires to be profit or non-profit enterprise, and then prepare its by-laws and articles of incorporation. After they are prepared, they should be forwarded to the Secretary of State for recording, and also to the SBA with a list of stockholders or members.

4. LDC must determine its area of operation.

5. A fund must be established to finance the "local injection" of each individual project. Funds can be from city or private resources. Sources may include stocks, gifts, loans, grants, and donated capital. Grants from the city must have SBA approval.

6. A promotional program needs to be set up by the LDC through the banks, the city government, and other related agencies. The media should be used to promote available commercial improvement resources.

7. The LDC then packages project proposals and makes an application to the SBA for funding. The LDC must commit local injection funds at this time.

ANTICIPATED PROGRAM RESULTS

A variety of benefits may accrue to communities who set up a LDC to improve commercial properties. A local city government may benefit from real property and local sales or income tax increases in addition to the creation of jobs and greater employment opportunities. Neighborhoods that are burdened with a declining and deteriorating commercial area may upgrade these properties through long-term, low-interest SBA 502 loans filtered through the LDC. Maintenance, repair, and improvements of neighborhood commercial properties is vital to any effort of neighborhood conservation and should proceed at the same time efforts are made to rehabilitate housing.

OTHER AVAILABLE SBA LOAN PROGRAMS

PROGRAM TITLES AND DESCRIPTIONS

1. **Loan Guarantee Plan** - guarantees up to 90% or $500,000, whichever is less, of a bank loan to a small firm.

2. **Direct and Immediate Participation Loans** are available to small businesses up to $100,000. Under this program the SBA and a private lending institution each put up funds. The maximum interest rate for the SBA's share is 6 5/8%.

3. **Economic Opportunity Loans** (EOC) make it possible for disadvantaged businessmen and women to own their own businesses. Up to $100,000 is available with financial and management assistance.

4. **Displaced Business Loans** can be obtained when small firms suffer substantial economic injury due to displacement because of federally aided construction.

5. **Handicapped Assistance Loans** are available to small firms that are 100% owned by handicapped persons to enable them to produce and provide marketable goods and services.

Other SBA programs with specific eligibility requirements are also available. The local SBA office should be contacted for further information on these loan programs.

CONTACT SOURCES

For additional information on these programs, contact:

US Small Business Administration
National Office
1441 L Street N.W.
Washington, D.C. 20416
(202) 665-4000

US Small Business Administration
District Office
211 Main Street
San Francisco, California 94105
(415) 556-8511

National Development Council
1421 - 29th Street N.W.
Washington, D.C. 20007
(202) 333-5142

DEPARTMENT OF THE TREASURY RESOURCES

PROGRAM TITLE

GENERAL REVENUE SHARING

PROGRAM DESCRIPTION

Under this form of Federal assistance $6.85 billion in federal funds are allocated to state and local governments. The funds are divided among units of general purpose governments with no real restriction on their use. Each city, county, or town is entitled to a certain amount of money determined by a formula. Revenue sharing requires no matching local funds.

Although governments do not apply for funds, they must publish plans for spending them and there must be public participation in spending decisions. It is up to lobbying groups, individuals, and concerned public officials to make sure some funds are allocated to local conservation activities. Since much flexibility exists in the use of these funds, innovative local demonstration projects for neighborhood conservation, or more regular public improvements/community facility projects can be funded by the local government.

PROGRAM TITLE

DEPRECIATION OF EXPENDITURES TO REHABILITE LOW INCOME HOUSING

Section 167 (k) of the Internal Revenue Code created by the Tax Reform Act of 1969 - Internal Revenue Service

PROGRAM DESCRIPTION

Section 167 (k) of the Internal Revenue Code of the U.S. is a financial incentive to property owners for the rehabilitation of rental housing occupied by low and moderate income persons. Under this program, taxpayers can compute depreciation on certain rehabilitation expenditures under a straight line method over a period of 60 months if additions or improvements have a useful life of over 5 years. This method allows one fifth of the total rehabilitation expenditures to be depreciated per year, which provides a greater incentive for rehabilitation than the usual straight line method.

In order to qualify for the five-year write-off, a taxpayer must spend at least $3,000 per dwelling unit for rehabilitation during a two-year period. In addition, not more than $20,000 in expenditures per dwelling unit will qualify for depreciation.

The special rehabilitation write-off is available only with respect to "low-income rental housing", which is defined as any building where the dwelling units are held for occupancy on a rental basis by families and individuals at low and moderate income. This level is determined by the Secretary of Housing and Urban Development consistent with the Leased Housing Program under Section 8 (family earns less than 80% of the medium income of the area).

ADMINISTRATIVE STRUCTURE

Local Agency Role

A Local Agency may disseminate information on 167 (k) and promote the tax provision tool as part of the community's total housing conservation strategy. Proper publicity of this incentive can encourage home improvement, especially as it affects low and moderate income housing in the community.

Applicant Role

An individual who owns low and moderate income rental property and has rehabilitated it according to the provisions of the law can deduct appropriate expenditures on his or her federal income tax statement. It is the responsibility of the applicant to pursue this financial incentive. The applicant must keep adequate records to prove rehabilitation expenditures if the Internal Revenue Service later requires proof.

EXPECTED COSTS

There are no costs to a local governmental entity.

PROGRAM STATUS

The Provision is applicable to rehabilitation expenditures incurred after July 24, 1969 and before January 1, 1978. The Tax Reform Act of 1976 extended the depreciation rule until 1979 and Congress will likely extend it past that date.

ANTICIPATED PROGRAM RESULTS

Section 167 (k) serves to encourage repair, rehabilitation, and improvement of rental housing for low and moderate income persons by landlords. In the past, 167 (k) has not been an effective large scale rehabilitation tool. According to some program critics, in order to be effective the rehabilitated structure must take advantage of direct housing assistance subsidies and mortgage assistance to be a strong incentive for property owners. The incentive by itself hasn't generated a significant amount of rehabilitation. However, some of this can be attributed to the lack of publicity of the incentive.

CONTACT SOURCES

For further information on Section 167 (k), contact your local Internal Revenue Office. In Santa Clara County, contact:

Internal Revenue Office
123 E. Gish Road
San Jose, California 95114
(408) 998-2300

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

PROGRAM TITLE

ASSISTANCE FOR PHYSICAL FACILITIES

PROGRAM DESCRIPTION

The US Department of Health, Education and Welfare (HEW) offers financial assistance for building conversion which serves to improve the health, education, or well-being of the population. Some programs funds may be used to sustain or rehabilitate an existing structure, but only to the extent necessary to make the building useable for the program activity. Two programs that could be used for neighborhood facilities are:

1. **Public Library Construction Program:** Grants are awarded to aid states in construction of public libraries to serve areas without adequate library facilities. Funds are available for construction, expansion, renovation, acquisition and adaptive reuse as public library. State library extension agencies are eligible to apply. Application and information should be directed to the Regional Commissioner, Office of Education, 50 Fulton Street, San Francisco, 94102.

2. **Health Facilities Construction Program:** This program awards grants to assist states in planning for and providing hospitals, public health centers, neighborhood health facilities, and other health related facilities. Grants, combined with local funds, may be used for the construction, expansion, or alteration of facilities. State and local governments, hospital districts or authorities, and private non-profit organizations are eligible to apply.

CONTACT SOURCE

For information on this program, contact:

Regional Health Administrator
Public Health Service
50 Fulton Street
San Francisco, CA 94102

DEPARTMENT OF LABOR

PROGRAM TITLE

MANPOWER SERVICES

PROGRAM DESCRIPTION

Substantial funding is now being channeled to states and certain local governments to provide on-the-job training for the unemployed and disadvantaged. The Comprehensive Employment and Training Act (CETA) and the Public Service Employment (PSE) programs are the principal efforts. Public and non-profit agencies receive funds to employ workers in a broad spectrum of job areas. CETA employees may be used for many different preservation and conservation related functions and can provide very valuable assistance when used in a rehabilitation program. Many cities have used CETA workers to repair minor code violations for elderly and handicapped persons, to paint houses, to landscape yards and street right-or-ways, to conduct neighborhood clean-up campaigns, to meet with property owners to inform them of rehabilitation program financing, and other conservation related tasks.

CONTACT SOURCE

For information on the CETA program in Santa Clara County, contact:

Santa Clara Valley Employment and Training Board
1420 Koll Circle
San Jose, California 95112
(408) 277-4565

GENERAL SERVICES ADMINISTRATION

PROGRAM TITLE

PUBLIC BUILDING TRANSFER

PROGRAM DESCRIPTION

Any Federal properties no longer needed by Federal agencies and designated as a historic place by the Secretary of the Interior may be transferred, free of charge, by the General Service Administration (GSA) to state and local governments. After transfer, the local government may reuse the property by incorporating revenue producing activities to finance restoration or maintenance or leasing the property to entrepreneurs for redevelopment or reuse.

CONTACT SOURCE

General Services Administration
Public Building Service
F Street between 18th & 19th Streets
Washington, D.C. 20004
(202) 472-1819

DEPARTMENT OF TRANSPORTATION

URBAN MASS TRANSPORTATION ADMINISTRATION (UMTA)

PROGRAM TITLE

CAPITAL IMPROVEMENT GRANTS & LOANS

PROGRAM DESCRIPTION

UMTA makes grants and loans to local and state governments to assist in financing the acquisition, construction, restoration, and general improvement of mass transit facilities and equipment. Any railroad, bus, rapid transit, or other type of terminal of historic significance is eligible for renovation funds provided the facilities are used for transportation purposes. Aid for these projects comes in the form of either project grants or loans, with grants given in an amount equaling as much as 80% of project cost.

CONTACT SOURCE

For further information, contact:

Office of Capital Assistance
Urban Mass Transportation Administration
Department of Transportation
Washington, D.C. 20590

VETERANS ADMINISTRATION

PROGRAM TITLE

VETERAN'S ADMINISTRATION LOAN INSURANCE AND/OR GUARANTEE PROGRAM

Serviceman's Readjustment Act of 1944, as amended

PROGRAM DESCRIPTION

The Veteran's Administration (VA) will insure or guarantee loans made to veterans by lending institutions (e.g. bank, savings and loan association, insurance company, mortgage company). Loans may be used to buy, build, repair, improve, or alter a home. They can also be used to refinance an existing home loan.

A GI loan may not exceed the reasonable value of the property, although there is no set limitation on the loan amount. The loan term can be up to 30 years, with the guarantee covering up to a maximum $17,500. The maximum interest rate on GI loans varies from time to time according to changes in the governing law and VA regulations. A veteran may qualify for a GI loan covering residential property containing up to four family units. The VA will make an appraisal on the property before guaranteeing the loan.

ADMINISTRATIVE STRUCTURE

Local Agency Role

There is no direct local government role in VA loan programs. Local agencies should assist in advertising the VA loan programs and in referring potentially eligible applicants to VA lenders.

Private Lender Role

The private lender makes the loan to veterans who have VA Certificate of Eligibility or suitable alternate papers, and enters into an agreement with the VA who then guarantees or insures the loan.

Veteran's Administration Role

Applicants must submit military papers to the VA who will then issue a Certificate of Eligibility to eligible veterans. The VA subsequently enters into agreements with private lenders making GI loans to insure a certain amount of the loan.

STEPS APPLICANT TAKES IN ARRANGING A VA LOAN

1. Applicant finds property suitable for needs, or determines that he/she would like to repair or improve their existing house.

2. Applicant goes to a lender who has appropriate VA forms.

3. Applicant presents plan and original discharge or separation papers and/or Certificate of Eligibility.

4. Property is appraised by approved appraiser.

5. Certificate of reasonable value goes to lender.

6. If application is approved, applicant gets loan.

If no private lender can be found that will give loan to a veteran, the applicant may qualify for direct loan from VA. The applicant must reside in "credit shortage area", must have sufficient income to meet anticipated payments and must have a good credit rating. A veteran who cannot get private financing should contact the VA for direct loan application forms.

ESTIMATED COSTS

There are no costs to local governmental agency.

ANTICIPATED PROGRAM RESULTS

The VA loan insurance program is a valuable program to veterans. Because of the protection of a VA guarantee, which has the credit of the United States government behind the loan, the veteran does not have to make a large downpayment as usually required, nor is there a prepayment penalty if the loan is paid off early.

CONTACT SOURCES

Information on VA insurance can be obtained from:

Veteran's Administration Regional Office
211 Main Street
San Francisco, California 94105
(415) 495-8900

Santa Clara County Veterans Service Office
45 Santa Teresa
San Jose, California 95110
(408) 299-2605

PART IV
LOCAL RESOURCES
FOR NEIGHBORHOOD CONSERVATION

PART IV - LOCAL RESOURCES FOR NEIGHBORHOOD CONSERVATION

INTRODUCTION

There have been a limited number of locally initiated and funded housing conservation programs across the country. Cities and the County have not had adequate funds to finance ongoing housing conservation activities from their general funds. The great majority of local projects are implementation of programs financed with State or Federal financing. Community Development Block Grant funded rehabilitation programs, however, can be set up according to local criteria and many different types of loan and grant programs are possible. In addition, cities can use their regular capital improvements program as a tool in neighborhood revitalization. Maintaining adequate public services is also a basic necessity to maintain viable neighborhoods. A number of micro-scale projects and alternative funding mechanisms have also been undertaken in cities across the nation, many of which are financed with local funds. These will also be described in this section.

PROGRAM TITLE

LOCAL USE OF COMMUNITY DEVELOPMENT BLOCK GRANT FUNDS

PROGRAM DESCRIPTION

Community Development Block Grant Funds (CDBG) may be used in a variety of ways to meet the diverse needs and conditions of urban neighborhoods. Individual rehabilitation programs use a number of loan and grant options to assist homeowners in repairing and upgrading their property. Generally a comprehensive program will include several of the following types of financial assistance:

1. **Grants** provide the recipient with the deepest form of assistance and do not require repayment. These funds should be reserved for the poorest property owners and hardship cases.

2. **Below Market Interest Rate (BMIR) loans** are the primary rehabilitation tool used in city and county programs. This option provides loans to qualified property owners at lower rates than they could arrange from private lending institutions.

3. **Deferred loans** do not require repayment until the sale or transfer of the property. This technique is generally used with property owners who cannot afford to make additional regular payments for housing, especially elderly and handicapped persons.

4. **Rebates** are most commonly used with moderate income property owners who have arranged their own financing and are subsequently rebated a portion of their home improvements costs.

5. **Emergency Repair Loans and Grants** are made to very low income property owners whose homes have severe life and safety hazards.

BMIR loans usually make up the major form of assistance used in local rehabilitation programs. Some local programs set themselves up as bankers and service their loans while others directly involve financial institutions for loan servicing. It is the objective of some programs working with private lenders to "leverage" their dollars. Leveraging is using the CDBG funds to create larger loan pools by depositing CDBG dollars with banks.

CDBG Leveraging Schemes

In recent years cities and the banking industries have shown more interest in working together to provide financial assistance to selected property owners. Many CDBG programs now use the local lending institutions to service loans, and may also utilize public funds to increase the loan pool through leveraging. Leveraging uses local CDBG funds deposited in a lending institution to create a larger lending pool of funds from a private lender. However, with an increase in leveraging, there usually is an accompanying increase in the interest rate charged on the loans (as the risk increases to the bank). The greater the amount of leveraging, the less a program can serve lower income persons. Also, using private lenders does not necessarily reduce a city's administrative costs.

According to a US Department of Housing and Urban Development Study (Region IX) published in June of 1977, (**A Guide to Local Housing Rehabilitation Strategies**) there are in California six basic lending arrangements between cities and banking institutions. Some are simply administrative agreements with little leveraging; others involve a significant increase in the lending pool. Communities currently banking their own loans may decide to implement one of the following schemes described in the HUD report.

1. **The Loan by Loan Relending Model** makes money available at low interest rates by eliminating the cost of funds to the private lender. The city gives the bank the full principal amount of each loan on a loan-by-loan basis. The bank, in turn, relends the city's money with an accompanying interest rate calculated to cover administrative costs and a profit margin. Under this model there is no leveraging, although the interest rate will be low (approx. 3.75%). The bank is not exposed to defaults.

2. **The Compensating Balance Deposit Model** also involves a CDBG deposit to reduce the cost of funds to the bank. In exchange for a deposit, the bank will modify some of its lending standards, such as terms and monthly payments. As loans are arranged by the city and made by the bank, the funds on deposit are transferred to two accounts: 1) 10% of loan amount into an interest Loss Reserve Account and 2) a specified % of the loan is placed into a non-interest bearing account which serves to write-down the interest rate. The lower the interest rate, the more funds are required to be deposited, and the less leveraging occurs. The loan pool may be enlarged from interest on the reserve account, and eventually funds may return to the pool because of the revolving nature of the loans (i.e. as loans are paid off, the funds can be reused for additional loans).

3. **The Interest Subsidy Write-Down Model** allows the city to achieve substantial leveraging while providing flexibility to adjust the programs to the borrowers ability to pay. The city simply pays the bank the difference between the market interest rate and the desired below-market interest rate for the individual loan. This program is designed to complement FHA Title 1 insurance, therefore eliminating the need for a reserve account. For example, for a $5,000 loan at 6% for 12 years and a market rate of 11%, the city pays $1,107 to the lender. This is an effective leverage of nearly five-to-one. Loans, however, can not be reused in this system.

4. **The Shared Risk Model** reduced the cost of funds to the lender in proporation to the city's participation in each loan. The city will arrange the loan and then deposits some percentage of the loan amount with the lender. The lender, in turn, reduces the interest charged. For example, under a 60%-40% share risk arrangement, a $5,000 loan at 6% interest requires the city to buy $2,000 of the loan from the financial institution. The CDBG funds used by the city for this purchase are held on account by the lender, to be credited to the city as the loan is repaid. This example involves a three-to-two leverage of CDBG funds.

5. **The Tax-Exempt Borrowing Model** calls upon the city to deposit a lump sum of CDBG funds with a private lender, who then lends a larger amount of funds to a city agency for rehabilitation loans. The proceeds earned on the bank's loan is tax-exempt, thus allowing a lower interest loan (6-1/2% to 7%). The city is fully exposed to defaults, however. A five-to-one leverage can be realized with a 20% city deposit.

6. **The Marks-Foran Building Model** (see Marks-Foran Program Description under Part II) involves the sale of tax exempt revenue bonds by the city to create a low-interest rehabilitation loan pool. The sale is arranged through a private lender who sells for approximately 5 1/2%, with the loans going out at around 6 1/2%. Loan insurance could be provided through a CDBG deposit or other sources.

ADMINISTRATIVE STRUCTURE

Local Agency Role

After a careful analysis of neighborhood rehabilitation needs, and a determination of available resources, the appropriate model for the individual community should be selected. The mechanism which is selected should be matched by the neighborhood conditions of the target areas. For a detailed explanation on how to set up a rehabilitation program, consult the California State Department of Community Development's **Housing Rehabilitation Manual, A Step By Step Guide,** published in March, 1978.

Private Lender Role

Each model described above demands a different level of private lending institution involvement. In some cases the bank is not exposed to loan risk. In other cases the bank shares in the default risk. Under some of the schemes the bank owns the deed of trust and initiates foreclosure proceedings. In other models the city has these responsibilities.

ESTIMATED COST

The costs to the local agency depends upon the specific scheme chosen. Cost to the city would vary according to risk factors, leveraging, amount of funds that are in the revolving loan, and the administrative mechanism chosen. Additional costs can be expected for outreach, inspection, and other associated operating costs.

STEPS NECESSARY IN ESTABLISHING A REHABILITATION LOAN PROGRAM

A detailed description of the steps necessary to set up a rehabilitation program is contained in **Housing Rehabilitation Manual, A Step By Step Guide.**

California Department of Housing and Urban Development
921 Tenth Street
Sacramento, California 95814
(916) 445-4725

ANTICIPATED PROGRAM RESULT

In the national effort to combat neighborhood decline and disinvestment, local communities must make the best use of limited available resources. Some cities may find it much more economical to utilize private lending institutions for processing and servicing loans rather than their own agencies. Cities may desire to leverage CDBG funds

to increase their rehabilitation loan pool. In both cases the city may save money and/or increase the number of loans available to property owners. Involvement with the private sector should be an instrumental part of an overall neighborhood and housing conservation strategy. In order to insure neighborhood stability there must be both public and private sector commitment and investment.

CONTACT SOURCES

For more information in leveraging, see **A Guide to Local Housing Rehabilitation Strategies in HUD Region IX**, US Department of Housing and Urban Development, June 1977. Copies can be obtained at:

US Department of Housing & Urban Development
Program Planning and Evaluation
450 Golden Gate Avenue
P.O. Box 36003
San Francisco, CA 94102
(415) 556-8517

PROGRAM TITLE

TARGETING CAPITAL IMPROVEMENTS

PROGRAM DESCRIPTION

Most cities and counties have ongoing capital improvement plans which list the types of publically financed improvements the local agency will be undertaking in various areas over the next five years. These plans are often based on overall needs for various types of public improvements. Projects are usually spread out over the entire city or county each year.

One way to take better advantage of ongoing public improvements is to concentrate a number of improvements in a designated area and actively publicize the city's efforts through contact with community groups and organizations, flyers to homes in the area, and other means. By undertaking a number of improvements in a specific area in a relatively short period of time, the local agency is demonstrating its interest in the area and is producing a high visual impact with its improvements. If informative material is then given to property owners on available assistance in terms of home improvements, many property owners will voluntarily undertake repair projects on their property, often without governmental financial assistance. Contact and coordination with community groups and adequate publicity of improvements and types of resources available will generally produce good results, especially in areas which are just beginning to go through some type of physical, social or economic change.

ADMINISTRATIVE STRUCTURE

Since many of the public improvements are regular ongoing projects, the city's public works department coordinates their actions with the planning department and neighborhood groups. In some cases, projects not regularly funded, such as street landscaping or decorative street signs, might be appropriate to complement the regular capital improvements of street resurfacing, storm drainage improvements, and improved signs and traffic signals. It will be important to work with community groups to publicize the actions of the local agency in order to gain the most positive impact. It will be necessary to restructure public capital improvement planning to accommodate the needs of concentrated neighborhood capital improvement projects.

ESTIMATED COSTS

Since these activities are ongoing activities, no additional costs are anticipated. If a community group would like a particular type of improvement not usually done by the city, the financing of that improvement would have to be negotiated. Some additional costs could occur for the publicity of the improvements and for contact with property owners, but these costs should be absorbed as ongoing public relations and citizen participation activities.

STEPS NECESSARY TO UNDERTAKE PROJECT

1. Have public works department coordinate their capital improvement plan with the planning department.

2. Planning department will work with the neighborhoods on an ongoing basis and determine areas where concentrated public improvements would produce the best results and where community groups are active and willing to work on planning and publicity.

3. In areas where concentrated improvements are needed and desirable, develop a plan with the community group and the public works department which is acceptable to each and will have a significant impact when completed.

4. Publicize the upcoming public improvements and publicize home improvement resources and assistance available in the area. The community group can have a valuable role in contact with property owners and tenants.

5. Construct the public improvements and continue the publicity and personal contact with the residents.

ANTICIPATED PROGRAM RESULTS

Without developing a major housing conservation project, this process can produce a significant amount of voluntary home improvements in a neighborhood. Combined with a major trash clean up, paint up and fix-up program, the neighborhood can strengthen its identity and increase the positive attitide of property owners and tenants in the area.

In Seattle, a citywide capital improvements policy plan was developed whereby community groups formally petition the city for public improvements and compete with each other for the funds. This helped strengthen the community groups and got them more involved in the types of activities that had positive impacts on the neighborhood. It improved the working relationship between the city and residents, increased confidence in the areas, and produced more positive results from the limited funds available for capital improvements.

PROGRAM TITLE

TAX INCREMENT FINANCING

PROGRAM DESCRIPTION

Tax increment financing provides an innovative method of generating funds which can be used by localities to finance housing and community development activities. This mechanism allows local control and flexibility in CDBG funding and can be used for such purposes as strengthening the tax base and spreading the cost of services; restoring a declining area and creating a new economic climate; and improving housing and creating new job opportunities. Over 100 California cities and counties, both urban and rural, are now using tax increment financing. The Los Angeles Community Redevelopment Agency, for example, has undertaken a major tax increment financing program to rehabilitate and construct over 6,000 dwelling units for low and moderate income families. Costs of the program will be financed by the tax increments from the Bunker Hill Urban Renewal Project.

Generally, tax increment financing allows the increased increment of assessed valuation of a redevelopment area to be used to pay off the project's existing indebtness. The process is as follows:

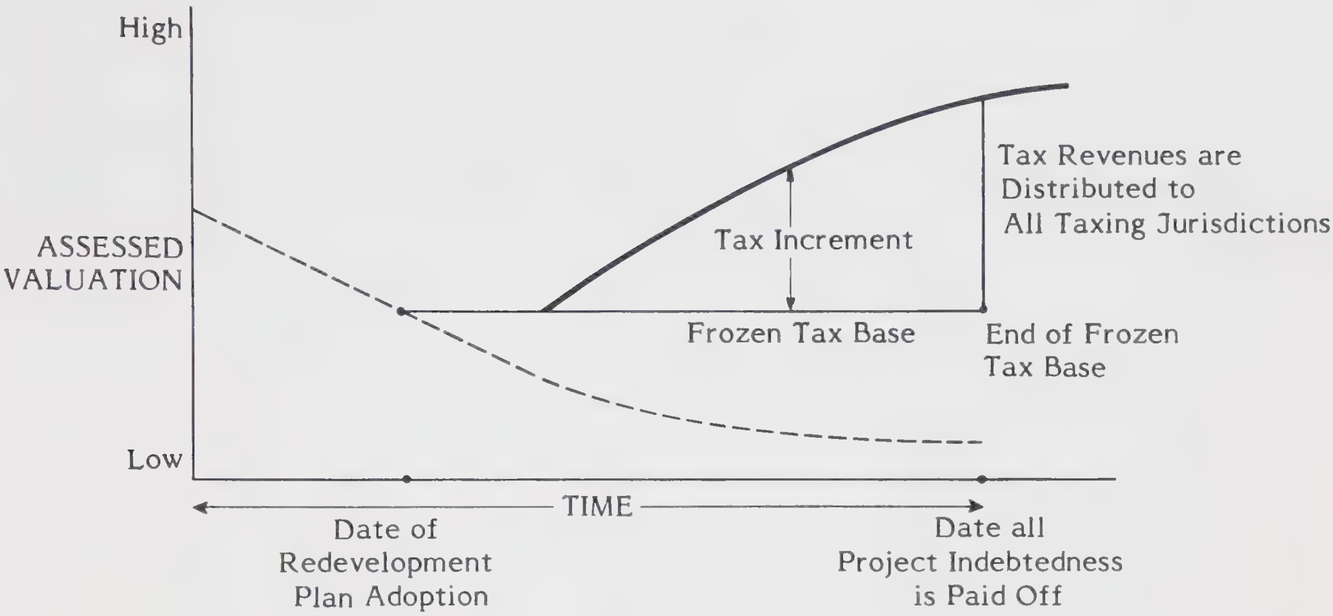
1. In a declining area where assessed valuation (AV) has been reduced as property values have fallen, with the adoption of a redevelopment plan for the area the AV at the last equalized tax roll is calculated and "frozen" at that level.

2. Each of the other taxing jurisdictions continue to receive that share of the taxes collected on the AV that existed at the time the tax base was frozen. (If no redevelopment had occurred, they might have received less than this amount in the future as property values continue to decline.)

3. Upon investment in the redevelopment area and subsequent rise in AV, the increase is the "tax increment" that is available to pay for project-related activities until project indebtness has been paid off. At that time the special financing is over and the increased tax revenues are distributed to all taxing jurisdictions in conventional fashion.

Tax increment financing allows the project area to generate its own funding. However, it is critically important that project management minimizes land banking policies that leave the land undeveloped and off the tax rolls. The project must be constructed and generate tax revenue to pay for the costs of the project. Once these costs have been paid off, all taxes there go to all the regular taxing jurisdictions.

TAX INCREMENT GRAPH



ADMINISTRATIVE STRUCTURE

Local Agency Role

The local housing or redevelopment agency must put together a sophisticated management team which can develop a marketable project in a declining or deteriorated area. A project should be in an area where there is little chance that private investment will occur without public intervention and financial participation. The local agency may fund project improvements by either utilizing tax increments each year as they are collected and distributed by the tax collector, or by issuing tax anticipation notes or tax allocation bonds in advance of actual collection. By issuing notes or bonds which are tax exempt, increased funds are made available immediately which accelerates the redevelopment process.

ESTIMATED COST

If the local jurisdiction manages tax increment financing with sensitivity and sophistication, both the project area and the city as a whole will reap financial benefits. With a successful redevelopment effort all taxing bodies will receive higher revenues. If not already on staff the city or county will have to hire a competent financial management staff.

ANTICIPATED PROGRAM RESULTS

Sections of our cities and counties which suffer from blight and deterioration are a major cost to the taxpayer. Not only are minimal tax revenues being generated in the area, but the demand for increased governmental fire, police, health, and welfare services necessitate high tax support from other areas. Tax increment financing can provide the financial mechanism to bring private investment back into decaying areas. It can be of use to pay for such development and redevelopment activities as land acquisition and site preparation costs, rehabilitation and relocation costs, and public improvements. Tax increment financing can be an invaluable tool in improving our urban neighborhoods and commercial areas.

PROGRAM TITLE

HOUSING COURTS

PROGRAM DESCRIPTION

Housing Courts have been instituted in a number of American cities to alleviate legal problems dealing with housing code enforcement. One such city is Pittsburgh, which created a housing court 10 years ago and has achieved notable success. Cases are brought before the Pittsburgh housing court for final enforcement of a variety of laws:

1. City Building Code.
2. County Housing Code.
3. City Zoning Ordinance.
4. City "Littered Premises" Ordinance.
5. City Fire prevention Code.
6. City Human Relations Ordinance.

These six laws form a comprehensive network of regulation over the entire field of housing and its environment. Among the advantages which a specialized court may have are:

1. Cases are heard without major delays.

2. Defendants cannot easily subvert justice by requesting continual postponements.

3. Greater knowledge of the judge in housing because of the specialized court.

4. Judge is better able to distinguish between a habitual offender and those who may be struggling to maintain their property.

5. Greater uniformity in assessment of penalties.

Pittsburgh has been able to secure a high degree of compliance by the sensitive use of fines, suspended fines, conditional sentences, extensions of time, supervised probation, and effective utilization of the services of many other governmental and social agencies in Pittsburgh. However, the Pittsburgh housing court does not have the full range of remedial approaches that might assist in better program scope and effectiveless. It does not have landlord-tenant jurisdiction, receivership authority, injunctive powers, and does not have authority to order disbursement of rent monies.

In order to assist offenders who may be impoverished, or where the imposition of fines would be counter productive, a housing clinic was created. The clinic serves in a counseling and instruction capacity and assists in the abatement of housing violations. It acts as the probation, investigation, and social service arm of the housing court.

The court and/or housing clinic should have access to a staff of housing specialists knowledgeable in the maintenance, repair and rehabilitation of dwelling units, the problems of landlord and tenant, the applicable housing maintenance laws, and the various funds and services available to resolve housing problems.

ADMINISTRATIVE STRUCTURE

Local Agency Role

The local city government, upon establishing the need for a housing court, should pass an ordinance establishing such a system. The city council should insure that necessary support staff is available, including housing specialists and legal assistance. Additionally, judges should be selected who have working knowledge of the housing field. The Housing Court program should be carefully integrated with existing local code enforcement and housing conservation activities.

ESTIMATED COSTS

The cost of instituting a housing court system would depend upon the case load and the degree of assistance provided to defendants. If a significant increase in housing related cases is expected, additional support staff would be a substantial cost to the locality.

ANTICIPATED PROGRAM RESULTS

Housing Courts provide no easy solution to substandard housing problems but may serve to increase the effectiveness and efficiency of a code enforcement program and enhance the general efforts and authority of code enforcement agencies. The specialized court will improve the system by encouraging prompt judicial attention. It would give a viable, last resort enforcement tool to the various public officials working on housing problems. A well designed court system will also provide assistance to defendants by counselling them on viable solutions to their housing problems.

In Pittsburgh over a 10 year period, 17,500 cases have been heard with 12,000 cases having been abated. Over 2/3 of the cases coming in front of the housing court have had their violations corrected. This was a major improvement over their previous system.

CONTACT SOURCE

The cities of Pittsburgh, Chicago, Boston, among others, have housing courts established.

PROGRAM TITLE

ANALYSIS OF ZONING TO PROMOTE CONSERVATION OF EXISTING DEVELOPMENT

PROGRAM DESCRIPTION

Cities often inadvertently promote housing deterioration by changing zoning patterns prematurely in order to promote private redevelopment for housing at higher densities or for expanded commercial or industrial uses. The zoning districts covering existing residential development often allow more extensive uses than what currently exists. This occurs most in and adjacent to central business districts, along major roads, or adjacent to higher density housing developments. By allowing these higher use zones, cities try to encourage expansion of commercial areas, new higher density residential development, or other private development on sites now occupied by low density residential units. Speculation then usually occurs in these areas. Existing structures are purchased by people who anticipate higher profits from the land if it would be redeveloped with a "higher value" use. In most cases, the market does not support redevelopment and the property deteriorates because maintenance is stopped. Over time, this causes deterioration to spread into adjacent sound areas and the city is finally faced with a significant deterioration problem. The deterioration reduces the desirability of constructing new development in the area. Owner-occupants begin to move and their property is taken over by additional absentee owners. Once the trend starts, it is difficult to alter or stop it.

Cities can avoid some of these problems if an analysis of existing zoning patterns is performed and areas not expected to be redeveloped in the immediate future are returned to the zoning classification of the existing development. This implies that it is the city's policy to retain and maintain the existing development in this area. By eliminating the speculation potential, a city can promote maintenance of existing development through a policy action.

In order to avoid controversy about "downzoning", a city should perform a complete evaluation of its current zoning patterns, compare it with the existing general plan, designate areas for conservation and areas suitable for commercial, industrial or residential expansion, and then make appropriate changes in the general plan and the zoning to correspond to the city's policy on conservation and redevelopment. By completing a formal re-evaluation of existing policy, and basing changes on that evaluation, the city will be in a good position to successfully restructure its zoning patterns.

ADMINISTRATIVE STRUCTURE

Local Agency Role

The local agency would be responsible for instigating the re-evaluation of zoning patterns, conduct the study, work with citizen and business groups during the study and make recommendations. The city council would then be responsible for making the appropriate zoning changes and publicizing the purpose of the changes. It will be important to work with citizen and business groups during this process in order to gain support for the changes and to incorporate local desires and concerns into the final recommendations.

EXPECTED COST

The cost of performing this analysis of zoning patterns will vary according to the scale of the analysis and the detail of the study. A citywide evaluation would require more time and co-ordination than a neighborhood by neighborhood study. A very detailed evaluation would require greater time than a more general study. In addition, the extent of complicated existing zoning patterns and development will determine the amount of time and degree of analysis needed to complete the study. In most cases, existing city staff would be able to undertake the project.

STEPS NECESSARY FOR IMPLEMENTATION

1. Discuss the project with the planning commission and the city council and gain their support for the study.
2. Determine if a citywide evaluation or a neighborhood by neighborhood evaluation would be the best approach in the city.
3. Designate the appropriate staff to conduct the study and establish time frames for completion.
4. Make contact with neighborhood groups and business groups in the affected areas and formalize a citizen participation process.
5. Collect and analyze appropriate data and analyze development trends.
6. Discuss findings with neighborhood and business groups and prepare preliminary recommendations.
7. Hold a public hearing with the planning commission and city council to discuss preliminary recommendations.
8. Revise recommendations based on input from the public hearing.
9. Develop final recommendations.
10. Inform affected property owners of public hearing on specific zone change for the area.
11. Hold a formal public hearing.
12. City council changes zoning to recommended pattern.
13. City publicizes the reasons for the change as a part of its neighborhood conservation strategy.
14. City monitors deterioration and speculation trends to determine if additional policy or action program changes are needed.

ANTICIPATED RESULTS

Although this action will not completely eliminate speculation and redevelopment in conservation areas, it can be reduced since property owners will know the city's policy on conservation or redevelopment in the area. The zoning in conservation areas will reflect the characteristics of the existing development. In areas promoted by the city for private redevelopment the zoning will allow that redevelopment without additional zone changes. Therefore, speculative investors will be directed toward those areas which are not designated as neighborhood conservations areas. The existing development in conservation areas will in most cases be better maintained and will probably have less turnover in ownership. In addition, the conservation area will probably retain a high percentage of owner-occupied units which is a critical factor for neighborhood stability.

PROGRAM TITLE

SWEAT EQUITY HOMESTEADING ASSISTANCE PROGRAM

PROGRAM DESCRIPTION

Sweat Equity Homesteading is an innovative concept which allows unemployed residents to rehabilitate and then occupy abandoned housing in distressed urban neighborhoods. Although the concept can have many different applications, this specific program write-up describes a non-profit organization in New York City developed to facilitate sweat equity homesteading.

The goal of the Urban Homesteading Assistance Board (U-HAB), a non-profit housing service, is to restore abandoned or no longer profitable multiple dwelling buildings to the City's stock of low and moderately priced housing through self-help rehabilitation, tenant management and cooperative ownership. U-HAB provides a variety of technical services to individuals willing to salvage and restore abandoned buildings and thereby create their own homes. Collaborating with city agencies, the federal government, and neighborhood housing groups, U-HAB facilitates sweat equity homesteading by providing access to trained construction supervisors, architects, cost estimators, lawyers, accountants, tradesmen, expeditors, purchasers, and others who make up together a construction and management team. U-HAB also works to identify loan and grant programs which can be used with homesteading.

ADMINISTRATIVE STRUCTURE

Non-Profit Housing Service Organization Role

The housing service organization works with the public and private sector to provide homesteaders with a variety of technical and administrative assistance which will make the homesteading process run efficiently. Staff members arrange an effective construction and management team and help identify BMIR loan programs and grants, package applications, and assist in the processing.

Local Agency Role

Local agencies provide loan and grant assistance to eligible homesteading projects, and necessary public services and improvements in homesteading neighborhoods. The local public agency, however, is not directly involved in the administration of this particular program but could set up a similar public homesteading assistance agency if desired.

Neighborhood Housing Groups Role

Neighborhood organizations may desire to help advertise the program and become actively involved in program support. They may even desire to sponsor a homesteading project for a group of their residents.

ESTIMATED COST

The Budget in 1976 for the Urban Homesteading Assistance Board was $113,000 which included 6 full-time positions, employee benefits, consultants, and operating expenses.

STEPS IN SWEAT EQUITY HOMESTEADING PROCESS

1. Interested individual or neighborhood organizations contact U-HAB for assistance.

2. Suitable abandoned building located for rehabilitation.

3. Records department is contacted to determine who owns the building.

4. Estimate is made to determine rehabilitation costs.

5. Architectural plans developed showing layout of restored building.

6. An application is made for rehabilitation loan.

7. Work begins on sweat equity rehabilitation.

8. Project completed and abandoned tenement has been transformed into homes.

A typical sweat equity homesteading project finds skilled craftsmen working along with neighborhood youth and unemployed workers. Craftsmen are paid the going wage, while trainees start at near minimum wage. The trainees work a 40 hour week for pay and then work at least 10 hours more without pay as their investment in the project. The extra hours is the sweat equity that enables them to become owners of their apartments without making the down payments that would normally be required in a cooperative.

Sweat equity construction can reduce the cost of rehabilitation by as much as 50%. The investment of labor or sweat is designed to create shelter as the only objective, rather than striving for a reasonable profit return. The following cost reduction techniques make the housing affordable to low income persons:

1. BMIR Mortgages.

2. Reduction in labor costs through self-help construction and maintenance.

3. Nominal purchase prices for abandoned buildings.

4. Elimination of contractor overhead and profit.

5. Tax abatements on completed rehabilitation projects.

6. Supplemental job training funds.

The range in cost of rehabilitating a sweat equity rehabilitation unit has been from $9,000 to $16,000 a unit, as contrasted to $32,000 for a comparable contractor rehabilitated unit and $45,000 for a new public housing unit.

ANTICIPATED PROGRAM RESULTS

Sweat equity homesteading produces benefits for participants, the neighborhood, and the city. First, it reduces the stock of abandoned homes, and helps prevent others from reaching this state. Second, it is the lowest cost method of adding a dwelling unit to City's stock. Third, it helps to provide job training for the hard core unemployed, while allowing trainees to make a modest wage. Finally, the worker receives a home in which he/she may have pride and sense of self-accomplishment.

In an area of great deterioration, with a number of vacant units, this program may be one of the only hopes at turning around a neighborhood. However, in Santa Clara County, it has little direct impact because abandonment has not occured to any great degree here.

CONTACT SOURCE

Mr. Philip St. Georges, Director
Urban Homesteading Assistance Board
Cathedral House
1047 Amsterdam Avenue
New York, NY 10025

PROGRAM TITLE

HOUSING SERVICE AND INFORMATION CENTERS

PROGRAM DESCRIPTION

Housing Service and Information Centers provide information and assistance including counseling, legal advice and research facilities to tenants, landlords, and homeowners. The center should be staffed with people who can intelligently analyze needs and make appropriate recommendations. Tenants, landlords and homeowners should be able to get information on their rights and responsibilities and arrive at possible solutions to their housing problems. An efficient Housing Service Center will assist in solving individual housing problems while contributing to the overall quality of housing in a community. The Center may also be actively involved in the prevention of discrimination based on race, religion, nationality, martial status, or sex. Additionally, the Center may assist families with children who are discriminated against in housing.

A variety of services can be provided by service centers, including:

1. Landlord-tenant relations (evictions, maintenance problems, etc.).

2. Mortgage advice (sources of financing, public assistance programs, lending institutions policies, etc.).

3. Home purchase advice (information on availability of homes, home-buying dangers, tax assistance, etc.).

4. Home Improvement and Rehabilitation Advice (subsidies available, contractor information, tax treatment, etc.).

5. Counseling (individual housing needs including social service problems).

6. Relocation Assistance and Emergency Housing (families displaced by disaster or evicted from housing, or displaced by public action).

7. Advocacy (represent individuals and groups with housing problems before public authorities or in private disputes).

8. Discrimination Assistance (receive complaints and investigate cases, provide attorneys where necessary).

9. Education (public media efforts, special classes, etc.).

10. Research and Investigation (audits made by "checkers" into housing discrimination, legislative research, monitoring public enforcement of laws, etc.).

Housing service centers have a wide variety of sizes and functions. They may range from large well-staffed public agencies, to small, part-time or volunteer privately-run centers. The emphasis here is on a comprehensive public effort.

ADMINISTRATIVE STRUCTURE

Local Agency Role

A city or county interested in the development or expansion of a housing service center must carefully analyze the housing client needs in the area and then choose the appropriate services that will be provided and the proper organization of the agency. The new agency may be a consolidation of a variety of existing programs which serve only limited purposes. In order to justify the new agency to elected officials, the demand for program services must be clearly documented.

ESTIMATED COSTS

Costs will vary considerably depending upon size of the program and variety of services provided. The San Jose Housing Service Center, which offers counseling and discrimination assistance, had a 1976 budget of $257,000 (with 8,800 clients served). This budget included 9 permanent employees and 5 CETA employees.

GENERAL STEPS NECESSARY TO ESTABLISH A HOUSING SERVICE CENTER

1. Analysis of demand for housing services in program area. Clear presentation of demand data to elected officials.

2. Determination of appropriate type of services to be provided.

3. Determine the level of assistance provided and develop the agency organizational structure. A service center may be nothing more than a referral service, where individuals are screened and then referred to the appropriate agency. A more comprehensive agency would include assistance and advisory functions, where individual clients or groups are assisted in actually solving their problems.

4. Develop budget and submit to appropriate funding source.

ANTICIPATED PROGRAM RESULTS

Housing service centers will provide a variety of benefits to a community. Action will be taken to solve individual and group housing problems for all types of people (with emphasis upon the poor who have the least resources to independently deal with housing problems). This will lead to better use of existing housing, and contribute to the quality of housing conditions.

CONTACT SOURCE

For information on the Housing Service Center in San Jose, contact:

Bud Carney, Director
380 North First Street
San Jose, CA 95110
(408) 287-2464

PROGRAM TITLE

CODE ENFORCEMENT

PROGRAM DESCRIPTION

Enforcement of building and housing codes is one of the primary tactics used by local governments in an attempt to insure safe and sanitary construction and maintenance of housing. Building codes set standards for new construction and rehabilitation, while housing codes establish minimum standards of health and safety for all residential units and provide a legal basis for cities insisting that structural and environmental deterioration violations be corrected.

A code enforcement program can be an important element of a neighborhood conservation strategy. Systematic or concentrated code enforcement attempts to bring all property up to at least minimum code standards. A systematic program inspects one section of a neighborhood and moves outward, with every structure being inspected. In a voluntary program, inspections are made of only those properties that the owners ask to have inspected. A systematic code enforcement program would have the following components:

1. Interior and exterior inspection of all residential structures in the neighborhood to ensure conformance with minimum code standards. Enforcement would include invoking penalties on recalcitrant homeowners.

2. Architectural and engineering services to owners of deficient housing (cost estimates for repairs, referring contractors, obtaining rehabilitation bids, and certifying work).

3. Financial assistance for rehabilitation consisting of referrals of qualified homeowners to conventional lenders, and application and processing of below-market interest rate loans or grants for lower income persons.

4. Coordination of project improvements, such as streets, curbs, gutters, etc. . . . .

A comprehensive code enforcement program, therefore, includes more than just the inspection and enforcement process. It also includes the mechanism by which property can be improved.

In order to minimize citizen antagonism and over reliance upon legal action, some programs emphasize sensitive code enforcement. This approach gives some flexibility to the housing inspectors. Only violations causing imminent danger to occupants would be cited. The homeowner would not be required to bring the structure up to new construction standards unless hazardous conditions are involved. In some programs, discretion is built into the inspection procedures by enabling the inspectors to overlook nonhazardous violations if it is apparent that the property owner lacks sufficient resources to make the repairs. Sensitive code enforcement requires the inspection process to be flexible enough so that individual circumstances can be taken into account in citing violations and deferring the extent of work required for abatement.

A mandatory program strictly enforces the code on all housing units in the target area with little or no flexibility for overlooking minor violations. This approach relies upon the

punitive action upon homeowners who do not correct code violations. Mandatory enforcement is often used in a rehabilitation area after an initial voluntary program failed to bring all structures up to code.

Local Agency Role

A variety of local governmental agencies must participate in a successful code enforcement program. One primary department (e.g., Planning Department, Building Inspection, etc. . . .) must develop and administer the overall program. This would include citizen participation obligations, inspection, enforcement, engineering and architectural services, loan application and processing assistance (or reference to participating private lender), and coordination of public improvements. The public works department and parks department would provide the necessary capital improvements in the area. The code program should be carefully interwoven with the local Community Development Block Grant or 312 rehabilitation program.

Neighborhood Organization Role

An active and supportive neighborhood group can be an instrumental factor in a successful code program. The group should work closely with the appropriate city agencies in program development and administration. The community groups can inform residents of the rehabilitation program on a personal, resident-to-resident basis and clarify uncertainties and misconceptions about the inspection process.

EXPECTED COSTS

A local program will incur various administrative, inspection, public improvements, public information, counseling and financing costs, depending on the size of the programs. The local jurisdictions may supplement their general funds with federal community development block grants or section 312 home improvement loan funds to increase their rehabilitation efforts.

ANTICIPATED PROGRAM RESULTS

Code enforcement programs can become an integral part of a locality's neighborhood conservation program. With careful design of the inspection and rehabilitation components, and the correct selection of a voluntary or systematic approach, code enforcement can help maintain decent housing and directly contribute to upgrading declining neighborhoods. However, a thorough analysis of prospective neighborhoods for code enforcement activities must be made to insure that code enforcement does not have counterproductive results. If instituted in neighborhoods with severe deterioration problems, a significant amount of housing abandonment could occur if property owners were unwilling to commit funds to repair the property. Code enforcement will have the most positive impact in neighborhoods which have minor or moderate deterioration problems.

INNOVATIVE PROGRAMS AND PROCESSES

A number of micro-scale projects have been attempted by cities across the nation to assist in housing maintenance and rehabilitaiton. Each project is geared to the local situation and usually came about because of the efforts of one individual or community group. A brief description of a few examples of these programs will demonstrate the results of local initiative in housing conservation.

PROGRAM TITLE

HOME TOOL LOAN CENTER
Milwaukee, Wisconsin

PROGRAM DESCRIPTION

A tool loan center was established in 1970 so that residents could repair and rehabilitate their own properties. Residents register to use the tools and check them out of the center. It was originally funded with $54,000 in Model Cities Funds.

In Rockford, Illinois, a mobile tool library serves its rehabilitation areas. A small van tours the areas and lends tools to residents. Retired craftsmen offer technical assistance. The tools were donated to the city and local funds were used to purchase the $2,000 van.

PROGRAM TITLE

HOME MAINTENANCE AND REPAIR PROGRAM
Battle Creek, Michigan

PROGRAM DESCRIPTION

The program educates the residents of an area in simple home repair and rehabilitation techniques. The curriculum covers a wide variety of subject areas in home maintenance and repair.

Instructors are salaried specialists. The courses are 8 weeks long, two nights a week. The local community colleges give credit for completion of the courses. The program was financed with $16,000 from Revenue Sharing funds.

PROGRAM TITLE

ADOPT A HOUSE
Lexington, KY

PROGRAM DESCRIPTION

Four hundred students from the University have volunteered to repair and rehabilitate structures owned by the poor, handicapped or elderly. Materials are donated for the program. Much of the work is exterior painting and minor structural repairs.

PROGRAM TITLE

EMERGENCY REPAIR
Cleveland, Ohio

PROGRAM DESCRIPTION

Loans and grants up to $3,000 are given to resident homeowners for emergency repairs such as faulty furnaces and leaky water heaters. Loans are 3% for 5 years. First payments are not due for 6 months after the repairs. If the property owner brings the structure up to code during that time, the loan need not be repaid. The owner is then eligible for a beautification grant to upgrade the exterior of the structure. The money can be used for exterior painting, landscaping, or driveway repair. Model cities funds were used to set up the program.

PROGRAM TITLE

ALLEGHENY HOUSING REHABILITATION CORPORATION (AHRCO)
Allegheny County, Pennsylvania

PROGRAM DESCRIPTION

The AHRCO was established as a profit making corporation whose objectives were to acquire, construct, rehabilitate and sell or rent houses to low and moderate income families. They also provide management services to the rehabilitated rental units. Forty Pittsburg corporations and organizations purchased $2,500,000 in AHRCO debentures and common stock. AHRCO utilizes minority craftsmen in its rehabilitation activities so that they may improve their chances of becoming regular members of the unions. AHRCO's staff investigates and acquires units, and packages them for rehabilitation (processes forms, identifies non-profit and limited dividend corporations). It also provides relocation assistance, property management and supervises the rehabilitation work. Most non-profit/limited dividend corporations return the completed project to AHRCO for management. In 6 years, the corporation completed 3,000 rehabilitated units. Section 8 housing assistance is used in many rehabilitated units.

PROGRAM TITLE

SUPPLEMENTAL REHABILITATION PROGRAMS
Modesto, California

PROGRAM DESCRIPTION

The City of Modesto offers an extensive array of services to complement its neighborhood rehabilitation programs. Among the unique services are the following:

1. A **rendering program** whereby potential rehabilitation participants are given an architectural rendering of what the house will look like after home improvement has taken place. The artist takes a picture of the house and then depicts changes for a straight fee of $20. The artist is careful to present only realistic changes in the homeowner's property. This helps "sell" the property owner on rehabilitation.

2. A **home remodeling library** is maintained through the city with an up-to-date collection of "do-it-yourself" types of books. Residents desiring to undertake their own home improvements may check out any of the books.

3. Modesto has a special **street tree program** and **mobil tool bank** available in target areas.

CONTACT SOURCE

Mr. Robert Ross
Housing Program Officer
1024 J Street
Modesto, California 95354

PART V
PRIVATE RESOURCES FOR NEIGHBORHOOD CONSERVATION

PART V - PRIVATE RESOURCES FOR NEIGHBORHOOD CONSERVATION

INTRODUCTION

A number of privately funded conservation efforts are occurring around the country to supplement publically funded activities. Most are ongoing programs of lending institutions or special programs set up to meet a particular need of a locality. Many of these programs are undertaken in cooperation with the local government and are coordinated with the planning activities of the city. Others are more independent efforts which attempt to promote maintenance of development before deterioration sets in.

This section lists a variety of these privately funded conservation efforts and describes some of the regular ongoing programs of the local lending institutions. In addition, a description of how local community development corporations can contribute to conservation efforts is also presented.

NATIONAL TRUST FOR HISTORICAL PRESERVATION

PROGRAM DESCRIPTION

The National Trust for Historic Preservation is a private, non-profit organization chartered in 1949. Its goal is to help protect America's historic and cultural heritage by preserving and interpreting elements from the past. Membership is open to individuals, organizations, public agencies, and businesses interested in historic preservation.

The main functions of the National Trust are to provide advice and assistance on preservation problems; work with individuals, groups and public agencies in planning and carrying out preservation programs; sponsoring educational programs; issuing publications; and owning and operating historical museums and other properties. National policies for the National Trust are prescribed by Board of Trustee's, and implemented through their national headquarters in Washington, D.C., and five regional offices across the country.

Services are provided in the following areas:

1. **Consultant Service Grant Program**

   Financial assistance is available to aid local and regional member organizations (non-profit, incorporated organizations, and public agencies) with preservation projects that require consultant assistance. Matching grants are available on a competitive basis to further preservation goals. Grants range from approximately $500 to $5,000.

   In order to become eligible for a grant, a member applicant must show evidence of commitment and/or achievement of the organization; an indication that matching funds are available and that the organization is capable of implementing project; and show, if possible, that characteristics of the specific project can be applied to other projects.

   Grants may only be used for consulting services, not actual construction. Grants must be matched by the recipient with an equal or greater amount (federal grant-in-aid money may not be used to match the Trust grant).

   Applications are processed by the Office of Preservation Services at the National Trust for Historic Preservation.

2. **Advisory Services**

   One of the main functions of National Trust is to help groups and individuals interested in preservation with information and advice. The Trust responds by phone or mail to requests, and for member organizations staff visits can be arranged.

3. **Educational Assistance**

   The Trust sponsors training programs in historical archaeology and museum interpretation, architectural restoration crafts, historic site and historical agency administration and community preservation.

Information about preservation is available to schools, colleges and universities. The Trust will assist in curriculum planning for educational institutions at all levels, conduct research on educational resources, provide bibliographies and other aids, including assistance in getting qualified speakers.

4. **National Historic Preservation Fund**

Another Trust financial assistance program, The Preservation Fund, helps non-profit member organizations set up local revolving funds. Usually the Trust lends money at low interest rates to local organizations to help them purchase, protect, and resell historic buildings in their area. The Trust will try to help local organizations borrow money from local banks or other lending institutions through loan guarantees.

5. **Meetings and Conferences**

Approximately 30 conferences, seminars, and workshops are held annually. Some provide basic information, others are intended to give technical information to professionals in the preservation field.

ADMINISTRATIVE STRUCTURE

Local Agency Role

To the degree in which a city may desire to become involved in historic preservation, they may wish to utilize any number of the National Trust's services. A local agency may simply want some preservation information or it may desire to join the organization and apply for financial assistance. Cities can also provide interested individuals with information on available preservation services through The National Trust.

ESTIMATED COST

Non-profit organizations may join under four plans, ranging from $10 to $100. Cities must be willing to match any consulting service grant with at least 50% of the grant amount.

ANTICIPATED PROGRAM RESULTS

The National Trust can facilitate public participation in the preservation of sites, buildings and objects of national significance or interest. A local public agency may receive considerable preservation assistance for minimal cost, or qualify for financial aid for consulting services to buy or protect historic buildings.

CONTACT SOURCES

For information on the National Trust for Historic Preservation, contact:

National Headquarters
740-748 Jackson Place N.W.
Washington, D.C. 20006
(202) 638-5200

Western Regional Office
681 Market Street, #859
San Francisco, CA 94105
(415) 543-0325

To obtain financial assistance, contact:

Financial Aid Assistant
Office of Preservation Services
740 Jackson Place, N.W.
Washington, D.C., 20006
(202) 638-5200

PROGRAM TITLE

THE PHILADELPHIA MORTGAGE PLAN

PROGRAM DESCRIPTION

The Philadelphia Mortgage Plan (PMP) is designed to provide home mortgage financing throughout the City of Philadelphia to credit worthy individuals who normally would be denied loans because of redlining or other financial decisions. Other cities are also instituting this program, most notably Seattle and Detroit. It was initiated by a group of local banks and assisted by the Philadelphia Partnership, a consortium of business, community, and governmental leaders.

Under the Plan, the banks have taken a new look at mortgage policy in general, but have not instituted a "special program". They have instituted a number of policy changes which are directed at combating disinvestment. Among the changes are:

1. Rather than measuring neighborhoods in square miles, the banks are analyzing property on a block-by-block, house-by-house appraisal. The new policy, however, still incorporates protection of both the depositers in the bank and the new homeowners investment.

2. Properties are appraised on their structural condition and on the condition of other homes on the immediate block. There should not be more than a 10% vacancy and abandonment rate, and the medium property value should not fall below $6,000.

3. Other neighborhood factors, such as strong and cohesive neighborhood organizations, non-profit developers conducting rehabilitation projects, or other public or private projects to improve the neighborhood and housing will be positively considered in loan application.

4. There is more individual evaluation of the financial standing of applicant (e.g. it treats confirmed income from welfare as effective income). They will use qualified counselling organizations to assist certain individuals. Additionally, banks will employ interviewers at designated bank offices who are aware of financial problems of inner city dwellers. All applicants who receive loan rejections are given an explanation for their loan turn-down.

As of September, 1976, the Plan is giving loans with loan-to-value ratios as high as 90% to 95% with 5% to 10% down payments and with maximum mortgage amount around $15,000. Private mortgage insurance is required on all loans in excess of 75% of the appraisal. Interest rates are set individually by each participating bank.

Mortgage officers from the participating institutions meet regularly to discuss operating problems. Every other month large meetings are held at which time community representatives review the results and discuss other related issues with bank representatives. This "feedback" system allows community involvement and increases the opportunity for program success.

ADMINISTRATIVE STRUCTURE

Local Agency Role

There is no direct local governmental role in this program. City leaders, however, may participate in Plan review meetings. The city should contribute necessary public improvements to areas where disinvestment has taken place and where revitalization activity is occuring.

Private Lender Role

Participating lenders agree to the new policy directives stated above and become an integral part of Plan administration and implementation.

ESTIMATED COST

As of June, 1977, the Plan has had a surprisingly low .6% delinquency rate, which is comparable with the rate for conventional mortgages. The plan has backed more than 1,700 mortgages, worth $19.1 million, with very little real risk to the bank's depositers.

ANTICIPATED PROGRAM RESULTS

Although it is still too early to label the plan an unqualified success, it has been instrumental in getting loans out to persons who would, in previous years, been unable to get a loan. The plan has yet to have any delinquency problems and gives every indication that bank depositers and home investments will be protected.

CONTACT SOURCE

Information on the Philadelphia Plan can be obtained from:

M. Todd Cooke, President
The Philadelphia Savings Fund Society
1212 Market Street
Philadelphia, PA 19107
(215) 629-2070

PROGRAM TITLE

COMMUNITY DEVELOPMENT CORPORATIONS

Authorized by the Economic Opportunity Act of 1966-Public Law 89-794

PROGRAM DESCRIPTION

Community Development Corporations (CDC) usually are incorporated bodies, as compared to governmental bodies or loosely knit business enterprises. They have identifiable links with a particular community and are usually formed to implement a defined array of programs oriented toward an identified community need. Some CDC's build, rehabilitate and/or manage housing.

CDC's, being slightly different than government or private enterprise, are needed to perform the combination of private and public activities which address the identified concerns of the community without being constrained by profit maximization. They have a "social conscience" which is reflected in their activities yet also have the resourcefulness and flexibility of private enterprise. They attempt to fill the gap between governmental efforts and private enterprise activities. Community Development Corporations can be set up for both profit making and non-profit activities. Becoming self-sufficient is a long range goal.

CDC's were initially authorized in 1966 when Congress passed legislation establishing the SPECIAL IMPACT PROGRAM. The purpose of this amendment was "to establish special programs directed to have an appreciable impact in such communities and neighborhoods in arresting tendencies toward dependency, chronic unemployment, and rising community tensions....". The goal is to merge the resources of government, business and local residents to collectively complete a defined task based on an identified community need. The tax exempt CDC's were the means to attain this goal.

Housing conservation and rehabilitation can be the primary purpose of a CDC. A corporation can be established to buy, rehabilitate, sell and/or lease housing units. Funding for specific rehabilitation activities can be from either federal-state programs, conventional financing, co-op financing and/or municipal loan financing. Once a corporation finds its initial financing, it can buy, renovate, and sell housing units without the constraints of governmental processes or high profit needs of private enterprise. It can concentrate its activities in one area to have a high visual impact and to alter resident and investor attitudes in the area. Its activities will usually be an incentive for others to join in the rehabilitation effort in the neighborhood. The corporation then sells or leases the rehabilitated units at a price where it has covered its costs and can go on to purchase other units needing rehabilitation. It can take advantage of HUD's Section 8 program to provide units for persons of low and moderate income and can also use other HUD/FHA programs to purchase and rehabilitate structures. Many successful rehabilitation-oriented CDC's operate across the nation.

ADMINISTRATIVE STRUCTURE

CDC's can be set up as one individual unit or a large unit with many different types of corporations engaged in different activities (i.e. real estate development, housing, and

construction corporations working together). For example, a Physical Development Division of a multi-functional CDC can be made up of many subsidiaries, as was done for the Bedford Stuyvesant Restoration Corporation in New York City. Programs can be set up the following way:

1. Rehabilitation Corporation - a non-profit corporation which purchases property to be rehabilitated, plans the rehabilitation, arranges financing, and supervises construction work.

2. Property Management Group - a sub-division within the Rehabilitation Corporation for managing their properties.

3. Funding Corporation - a for-profit mortgage company.

4. Developing Corporation - a for-profit development company.

5. Commercial Center - a for-profit corporation for developing, building, leasing and operating commercial properties.

6. Construction Company - a for-profit general contracting firm.

A CDC can be made up of residents, business people and other interested persons. Its structure must meet requirements outlined in the Special Impact Program legislation.

Local Agency Role

The governmental role in such an undertaking can vary according to the specific project. A CDC should work with a city and/or county to coordinate activities in designated rehabilitation areas. The planning and construction of public improvements, if desired, should be coordinated and scheduled in a timetable which produces the most positive impact on the rehabilitation effort. The city's rehabilitation programs can be a source for rehabilitation financing for the corporation.

ESTIMATED COSTS

CDC sponsored enterprises, like ordinary businesses, need access to long and short-term business financing. CDC's also need funds to maintain a staff to plan, train, and negotiate financial arrangements and undertake other development work that no private enterprise can or will pay for.

It is the goal of CDC's to become self-sufficient. However, in the initial years of CDC development a great deal of funding assistance is necessary. Private sources of support have included foundations, churches, and local philanthropists. Also a number of large corporations have given direct support to CDC's. Additionally, financial support has been received from governmental sources.

The Ford Foundation has been especially active in funding CDC's, assisting the Zion (Philadelphia) CDC with a start-up grant of $400,000 and the Bedford Stuyvesant Restoration Corporation (New York) with a $750,000 grant.

TWO BASIC STEPS IN ESTABLISHING CDC

1. Local community leaders must determine the appropriate structure for a CDC. There are basically three types of community representation:

   A. **Self Selected Boards** typically begin with a group of leaders in a community who form a non-profit corporation to promote economic development. Apart from its board, the corporation does not have any stockholders or membership, and is generally set up under Section 501 C (3) of the Tax Code (code governing non-profit organizations). Often times self-selected boards tend to concentrate on assisting individual enterpreneurs.

   B. **Assembly-Selected Board** is chosen by election. The typical pattern is for residents of a neighborhood to elect the members of the board of a neighborhood corporation, which then selects the board of the CDC. It is intended that this process will insulate CDC directors from the politics and patronage demands of a neighborhood and provide a higher degree of business expertise to the board.

   C. **Stockholder Selected Board** follows traditional corporate practice. The selection of the board of directors and ultimate control of the corporation are in the hands of the stockholders. Because few CDC's attempt to sell stock in the early stages of operation (lack of community support) there are a few stockholder controlled CDC's. When CDC's achieve tangible positive results, they may decide to sell stock, of which several different classes of stocks may be used.

2. CDC Board must determine appropriate corporate structure. Most CDC's have separate non-profit and profit making corporations built into their structures, the specific arrangement depending on the history of the community organization and the applicable state laws. Often the non-profit corporation will be the "parent" organization holding all the stock of the profit-making CDC, which allows the CDC to receive tax free grants and gifts and, at the same time, engage in financing and otherwise operate as a business.

ANTICIPATED PROGRAM RESULTS

The primary purpose of Community Development Corporations are the expansion of employment, income and ownership opportunities among people in depressed urban areas. CDC's have demonstrated that they can be instrumental in:

1. pooling scarce resources and talents in impoverished areas.

2. dealing effectively with outside government and business interests.

3. planning and implementing a broad range of business, housing and training programs.

4. organizing community support for long-term economic development projects.

Although CDC's have often fallen short of their stated objectives, they have offered an imaginative approach to solving some of the greatest problems in the communities in which they operate.

PROGRAM TITLE

SAN FRANCISCO HOUSING CONSERVATION INSTITUTE HOUSING REHABILITATION PROGRAM

PROGRAM DESCRIPTION

The Housing Conservation Institute (HCI) is a non-profit corporation whose objectives are to help save city neighborhoods, to restore long term property values, to retain city residents and to attract new homeowners in San Francisco. Its operating costs are paid by grants from the San Francisco Foundation, the Ford Foundation, and the Urban Reinvestment Task Force.

In cooperation with the city, the Institute undertakes its activities in two neighborhoods and in one neighborhood business district. The Institute staff send material to each homeowner in the neighborhood and then arranges a meeting with the owner to discuss the program and determine owner interest in voluntarily repairing the owner's property. If the owner desires to proceed, a HCI Building Advisor inspects the house, recommends improvements, estimates costs, draws up specifications, assists in financing and discusses the bids received with the owner. If work then proceeds, the HCI staff will monitor the rehabilitation work and make interim and final inspections. All this is done free for the property owner.

Since it is a voluntary program, persuasion is a key variable to get owners to invest money in their properties. Good relations with community groups can help in this effort. Adequate promotional material must be prepared and distributed as well as personal contacts with homeowners. This system works best in areas that are not severely deteriorated and where the people are financially able to absorb the additional housing costs.

EXPECTED COSTS

The HCI was set up with funds received from the three foundations and currently works only in San Francisco. The city does not have a direct role but supports the actions of HCI and assists in targeting some public improvements in the areas. These costs are for regular ongoing activities of the city. The public improvements were concentrated in the area to give some visual evidence of public activity.

ANTICIPATED PROGRAM RESULTS

Similar private programs can be set up in Santa Clara County if sources can be found to finance them. The program is similar to the Neighborhood Housing Services program funded by the Urban Reinvestment Task Force.

This type of program can produce very good results in areas which are basically stable and where the people have the financial ability to invest more funds in their property. It is a good program to help prevent areas from deteriorating to a level requiring major rehabilitation. Therefore, housing staffs shouldcarefully analyze their potential target areas when considering setting up similar programs.

CONTACT SOURCES

For more information on the HCI program, contact:

Housing Conservation Institute
315 Granada Avenue
San Francisco, CA 94112
(415) 586-8000

PROGRAM TITLE

PRIVATE LENDING INSTITUTIONS REHABILITATION LOAN PROGRAMS

PROGRAM DESCRIPTIONS

In recent years many lending institutions in California have developed special programs to deal with disinvestment and neighborhood deterioration by providing BMIR rehabilitation loans. Before setting up a local rehabilitation program, staff should talk with all lending institutions in the community to determine what type of ongoing loan programs are currently available so that a city's program can help "plug the holes" of unmet housing conservation needs.

The following is a brief description of a selected number of programs and the options available to interested cities. This list is not intended to be a comprehensive inventory of all programs, but rather an overview of the types of available resources.

1. **The Bank of America (B of A)**

   The B of A has established in the past four years a number of rehabilitation assistance programs and have recently developed a program for lending cities and counties CDBG funds.

   A. **City Improvement and Restoration Program (CIRP)** - The B of A will assist communities in making below market interest rate BMIR home rehabilitation loans to individuals. Over 18 cities and counties currently have signed legal agreements with the B of A to implement this program.

   B. **Community Development Proposal** - This program involves the lending of a city's CDBG funds for the preservation, maintenance, and improvement of residential neighborhoods. Each loan made by the Bank (upon applicant reference from the city) will be supported by a non-interest bearing account pledged, on a loan-by-loan basis, to the Bank by the city. The effective interest rate to the borrower can be as low as 3.75% when supported by a 100% deposit. The deposit will guarantee 100% of all defaulted loans, while the bank will return the deposit surplus to the city as the borrower repays the loan principal. Under this scheme there is no leverage of city funds. However, the Bank will negotiate loan contracts requiring a 65% subsidy deposit with interest rates as low as 7.25% Annual Percentage Rate (APR) for 15 years. The Bank will offer this leverage program only after the city/county has demonstrated a satisfactory track record. Loan origination fees (Lot Book Report, Notarization, Appraisal, and Recording of Deed of Trust) which are normally an applicant expense, are waived by the Bank in this program. In conjunction with this BMIR loan proposal, the B of A will draw up all necessary papers for deferred payment loans to non-bankable applicants. A fee of between \$100 and \$125 per applicant is charged for this service. To implement this program the Bank and city must enter into a written agreement establishing the program and its detailed characteristics.

C. **Residential Rehabilitation Program (RAP) Marks-Foran Implementation**

Bank of America's Investment Securities Division, in collaboration with the City of San Francisco, has developed a city-financed neighborhood rehabilitation program. Under this program, the city will sell Marks-Foran bonds and use the proceeds to establish a rehabilitation loan fund. As security for its loan, the city will pledge the deeds of trust it acquires when loans are made. A special fund of money from loan repayments will be used for a bad debt reserve and defaulted loans are to be repaid only from these sources and are not general obligations of the city.

The loans for rehabilitation work can be up to $17,500 for each unit for 20 years or 3/4 economic life of building, whichever is less. A low interest rate (6-7%) on the loans will be offered.

Cities who have a proven track record in rehabilitation assistance may work with the B of A in instituting a Marks-Foran program. They will provide the full service of underwriting and loan processing and servicing assistance to eligible cities.

D. **San Jose Special Lending Area Program** - The Bank of America is also involved in a variety of special pilot programs in selected cities. One such program is the special lending area program in the Campus Commons area of San Jose. Through this program funds for purchasing residential structures and home improvement loans are made available to all creditworthy borrowers in a designated special lending area which had a history as a high risk lending area. The interest rates are lowest for single-family and 1 to 4 unit structures. A 10% down payment is also permitted. This program started when residents from the area approached the Bank for financial assistance. Other such pilot programs are occurring in Chico and San Francisco.

2. **The Crocker National Bank**

The Crocker National Bank housing rehabilitation program attempts to work individually with each City. As opposed to a packaged program, the Crocker plan reviews the objectives of the individual city and then designs a financial plan to fit the city. In setting of objectives, a city must answer the following questions:

A. Does the city want a revolving long-term program or a short term program for immediate needs?

B. What is the total amount of the planned rehabilitation?

C. How extensive is the rehabilitation work?

D. How much risk factor is acceptable (100%, minimal, none)?

E. What rates should be offered to the community?

F. What is the maximum loan amount and maximum term?

G. Should total liens against property be 80%, 90%, or 100%?

H. Is there a need for a deferred payment loan service?

I. Is there a need for mortgage loan funds for refinancing rehabilitation and purchase rehabilitation?

To accomplish the city's objectives, the following various mechanisms can be used: 100% loan guarantee; interest subsidies; loan loss reserves; and non-interest bearing account. Interest rates, depending upon subsidies and security, range from 3% to 10% with some municipalities using a single rate and others multiple rates. The maximum term is 15 years, with a minimum payment of $30.00. In addition to leveraged BMIR loans, the Crocker Bank also provides services for Deferred Loans, Guaranteed Loans and a Marketing program. A Crocker specialist is assigned to assist the city or county in developing the necessary loan volume to make the program run efficiently.

A variety of organizational schemes, therefore, can be instituted through the Crocker program. Each particular city may design a program to meet its specific needs.

3. **The Security Pacific National Bank**

The Security Pacific National Bank offers a FHA-Title 1 Property Improvement Plan for Community Development for interested cities. This program allows use of CDBG funds to write down the 11% market interest rate charged for home improvements to any level desired. Insurance will be provided by FHA Title 1, therefore there is no liability on defaulted loans to the local public agency. Loans are for 15 years, with a maximum loan amount of $15,000 for single family structures. Security Pacific has established a Community Development Opportunity Center to centralize the operation and to provide program control and flexibility. The Center will be especially valuable in working closely with the cities in program organization and in providing necessary assistance to borrowers. Under this interest subsidy/FHA Title 1 program, the bank owns the paper, but it will be transferred to HUD in case of foreclosure. The CDBG interest payments, however, are one way and the loan repayments are not recovered by the city but are recorded by the bank. Loans must also be made according to FHA Title 1 Standards. Currently there are 25 cities and counties in California using the Security Pacific Property Improvement Plan.

4. **Wells Fargo Bank**

Wells Fargo Bank has not developed any packaged program but has entered into several lending agreements on a case-by-case basis. They will negotiate with cities on instituting programs to finance neighborhood rehabilitation projects using CDBG funds on either a leveraged or non-leveraged basis. Leverage, underwriting standards, and interest rates would be determined after an analysis on each individual situation.

ADMINISTRATIVE STRUCTURE

Local Agency Role

Cities and counties interested in working with private lending institutions in establishing either a 100% collateral or leveraged program must assess their available resources and determine their community rehabilitation needs. A program should be carefully devised which efficiently matches resources to needs. One of the bank programs may serve these needs. Depending upon the model chosen, the city may play a large role in the loan process, or may play a limited role. CDBG funds may be used to provide security for bank loans, allowing a lower interest rate or used to leverage funds.

Private Lender Role

Banks and Savings and Loan Institutions have developed a number of programs utilizing city and county CDBG funds. Some banks will develop programs with cities only on a case-by-case basis. Others have developed set programs available to cities throughout the state. Program design can vary from an interest subsidy approach, where CDBG funds are used to pay the difference between the market interest rate and the desired BMIR, or a compensating balance approach, where CDBG funds are deposited in bank accounts allowing a security deposit and interest write down, to a Marks-Foran revenue bond sale approach.

ESTIMATED COST

Each private program has varying administrative and operational costs to the city. The city should select a program which fulfills rehabilitation needs and is within the financial capability of the city for administration and implementation.

ANTICIPATED PROGRAM RESULTS

By directly working with a private lending institution a city may save administrative costs in loan processing and servicing and may increase the available lending pool by leveraging. With a greater degree of leveraging, however, the risk to the bank is increased and the interest charged rises. Therefore, to design a successful program, the city must know exactly what loan packages are needed for community residents and match the appropriate package to the client needs in the community.

FINANCIAL ASSISTANCE FROM PRIVATE FOUNDATIONS

The following foundations offer grants for a variety of preservation and conservation related activities. The list is not intended to be comprehensive but an illustrative example of the types of private funds available for neighborhood conservation. Detailed information on all foundation funding sources can be obtained from The Foundation Center. The Foundation Center is the only independent non-profit organization in the United Stated dedicated entirely to the gathering analysis and dissemination of factual information on philanthropic foundations.

The Foundation Center has two main purposes: 1) to compile reliable descriptive data and statistics on the foundation field for the use of foundation trustees and officers, regulatory agencies, and other interested organizations and individuals; and 2) to be a useful resource for anyone interested in applying to grant-making foundations for funds. A number of publications are printed which can be of assistance when searching for grant sources. These include: **Foundation Grants to Individuals** which profiles the programs of 1000+ foundations who make grants to individuals (cost $13.00 from the Foundation Center, 888 Seventh Avenue, New York, New York 10019); **The Foundation Grants Index,** 1976-Annual Volume, which is a detailed cumulation of the grant information and indexes appearing in Foundation News, (cost $16.00 from Columbia University Press, 136 South Broadway, Ivrington, New York 10533). A paperback booklet titled **About Foundations: How to Find the Facts You Need to Get a Grant** is also available for $3.00 prepaid from the Foundation Center, 888 Seventh Avenue, New York, New York 10019.

Offices of the Foundation Center are located at:

888 Seventh Avenue
New York, New York 10019
(212) 975-1120

1001 Connecticut Avenue, N.W.
Washington, D.C. 20036
(202 331-1400

212 Sutter Street
Room 301
San Francisco, CA 94108
(415) 397-0901

CALIFORNIA

The Luke B. Hancock Foundation

Grants are given to improve education, economic conditions, social services, the environment, and to encourage greater participation in the Arts. Grants have ranged up to $25,000.

The Luke B. Hancock Foundation
3000 Sand Hill Road
Menlo Park, CA 94025

The James Irvine Foundation

Grants awarded primarily for education, youth services, and community projects not receiving government support. Projects in San Francisco Bay Area are given preference. Grants usually range between $2,000 and $50,000.

The James Irvine Foundation
111 Sutter Street, Suite 1520
San Francisco, CA 94104

San Francisco Foundation

Grants are provided for welfare and welfare planning, education, culture, conservation and environmental planning in the San Francisco Bay Area. Grants are awarded to tax exempt charitable and educational organizations. Grants amount vary according to need.

The San Francisco Foundation Awards Office
425 California Street, Suite 1602
San Francisco, CA 94104

The L.J. Skaggs and Mary C. Skaggs Foundation

Projects in the fields of medical research and social action are stressed, but a small portion goes to special projects. Funded projects should be self-sufficient within a short time. Organizations must be tax-exempt.

Mr. Phillip M.J. Jelley
Secretary and Foundation Manager
L.J. Skaggs and Mary C. Skaggs Foundation
1330 Broadway, Suite 1730
Oakland, CA 94612

The Levi Strauss Foundation

Grants awarded primarily for education, human resources, and environmental projects. Priority given to programs directly affective where donor has facilities. Grants have ranged up to $36,000.

The Strauss Foundation
2 Embarcadero Center
San Francisco, CA 94106

The Upjohn California Fund

This fund provides local grants with emphasis on community planning, education, and scenic and cultural organizations. Grants average between $500 - $2,000.

The Upjohn California Fund
Crocker Plaza
Post and Montgomery Streets
San Francisco, CA 94104

The Van Loben Sels Charitable Foundation

Grants are made in support of projects which will test potentially useful innovations in the areas of education, health, welfare, and the environment. Grants average between $1,500 and $27,500.

The Van Loben Sels Charitable Foundation
225 Bush Street
San Francisco, CA 94104

The Zellerback Family

Local grants are awarded to cultural organizations and community funds. Grants have varied from $400 - $75,000.

The Zellerback Family
260 California Street, Room 1010
San Francisco, CA 94111

OUTSIDE CALIFORNIA

The National Endowment for the Arts

Over $82 million in federal resources were made available to the National Endowment in 1976. This sum was supplemented by other public and private funds. A portion of these funds are delegated to the Architecture and Environmental Arts Program, which gives grants for preservation, urban design, land use and recreation, pedestrian strategies, urban amentities, and other design topics.

Mr. Tom Cains
Architecture & Environmental Arts Program
National Endowment for the Arts
2401 E Street N.W.
Washington, D.C. 20037
(202) 634-4276

The Kresge Foundation

Grants to support building programs for projects involving music, art, and conservation are made to non-profit, tax exempt, well established institutions. Grant amount varies according to needs.

The Kresge Foundation
2401 W. Big Beaver Road
Troy, Michigan 48084

Max C. Fleischmann Foundation

The Foundation awards grants to support activities in the areas of education, environmental studies, historical projects and community improvement projects. Tax exempt non-profit organizations are eligible to apply. Grants have varied from $100 to $1,400,000.

Julius Bergen, Chairman
Max C. Fleishmann Foundation
1 East Liberty Street
Reno, Nevada 89501

Andrew W. Mellon Foundation

Grants in support of education, cultural projects and institutions, conservation, civic programs and community services are awarded to organizations and institutions with appropriate interests. Grants vary according to needs.

Andrew W. Mellon Foundation
140 East 62nd Street
New York, NY 10021

The Lever Brothers Company Foundation, Inc.

Grants to aid organizations in the fields of public welfare, community improvement, education, and cultural concerns are made to organizations and institutions with appropriate interests. Grants range from $1,000 to $5,000.

Lever Brothers Company Foundation, Inc.
390 Park Avenue
New York, NY 10022

The ALCOA Foundation

The foundation offers grants in support of a variety of special interest programs including civic and cultural projects which enhance the environment of communities. Grants vary upon the needs and nature of the request.

The ALCOA Foundation
1501 ALCOA Building
Pittsburg, PA 15219

The United States Steel Foundation, Inc.

Grants are awarded in the general areas of education, science, cultural affairs, and community and civic concerns. Grants vary according to need.

Vice President
U.S. Street Foundation, Inc.
600 Grant Street
Pittsburg, PA 15230

NATIONAL PRIVATE HOUSING RELATED ORGANIZATIONS

Information on housing conservation activities and resources can also be obtained from the following organizations. Most are information resources and do not have specific conservation programs of their own.

1. National Committee on Conservation and Rehabilitation
   National Association of Housing and Redevelopment Officials (NAHRO)
   2600 Virginia Avenue N.W.
   Washington, D.C. 20037
   (202) 233-2030

2. Conservation Foundation
   1717 Mass. Ave. N.W.
   Washington, D.C. 20036
   (202) 797-4300

3. Urban Land Institute
   1200 28th Street, N.W.
   Washington, D.C. 20036
   (202) 331-8500

4. The Urban Institute
   2100 M Street
   Washington, D.C. 20037
   (202) 223-1950

5. American Institute of Planners
   1776 Mass. Avenue, N.W.
   Washington, D.C. 20036
   (202) 872-0611

6. National Trust for Historic Preservation
   740-748 Jackson Place, N.W.
   Washington, D.C. 20006
   (202) 638-5200

7. National Association of Homebuilders
   15th & M Streets, N.W.
   Washington, D.C. 20005
   (202) 452-0200

8. National Association of Housing and Redevelopment Officials
   2600 Virginia Avenue, N.W.
   Washington, D.C. 20037
   (202) 333-2020

9. National Leage of Cities
   The City Building
   1612 K Street, N.W.
   Washington, D.C. 20036
   (202) 293-7177

10. National Association Against Discrimination in Housing, Inc.
    1425 H Street, N.W.
    Washington, D.C. 20005
    (202) 783-8150

11. The Urban Consortium
    1140 Connecticut Avenue, N.W.
    Washington, D.C. 20036
    (202) 783-8150

12. National Urban Coalition
    1201 Connecticut Avenue, N.W.
    Washington, D.C. 20036
    (202) 331-2400

13. National Association of Neighborhoods
    1901 Que Street, N.W.
    Washington, D.C. 20009
    (202) 234-9382

14. Center for Community Change
    1000 Wisconsin Avenue, N.W.
    Washington, D.C. 20007
    (202) 338-3134

15. Housing Assistance Council
    1828 L Street, S.W.
    Washington, D.C. 20036
    (202) 872-8640

    or
    100 Eddridge Avenue
    Mill Valley, CA 94941
    (415) 383-6787

16. Rural American/Rural Housing Allowance
    1346 Connecticut Avenue, N.W.
    Washington, D.C. 20036
    (202) 659-2800

17. American Society of Planning Officials
    1313 E. 60th Street
    Chicago, IL 60637
    (312) 947-2560

PART VI
NEIGHBORHOOD CONSERVATION AND CONSUMER PROTECTION PROVISIONS

PART VI - NEIGHBORHOOD CONSERVATION AND CONSUMER PROTECTION PROVISIONS

INTRODUCTION

Cities and counties throughout the country have enacted a variety of ordinances that require disclosure of information which is pertinent to the sale or transfer of property and/or require some type of property inspection before the transfer can occur. Titles commonly associated with these types of programs include "Truth-in-Sale-of-Housing Laws", "Pre-Sale Inspection", "Certificate of Occupancy" and "Certificates of Inspection". The programs vary considerably according to the scope and detail of the local program's requirements. The following sections describe potential programs which are comprehensive in nature. Cities and counties may institute programs tailored to meet the specific needs of the local community.

These types of programs can produce very visible results when used as a part of a total housing strategy. Besides offering some degree of protection to the housing consumer in the short run, they also will promote ongoing housing maintenance in the long run because purchasers of housing will be more informed on potential problems and defects of the housing. Property owners will not allow major defects to remain in their housing when they know that potential purchasers will be informed of all defects, thus reducing the potential sale price. Property owners, especially absentee property owners, usually oppose measures that will inform potential purchasers of structural defects in a house. However, it is in the best interest of the city and housing consumers to enact ordinances which promote housing maintenance and educate the population on housing defects. The property owners also benefit in the long run because property values for maintained property will be strong while property with major defects due to neglect will be worth relatively less.

Neighborhood conservation does not only involve the nuts and bolts of housing maintenance but also a positive attitude of homeowners, landlords, tenants, businesses, and the city on the future of the neighborhood. Creating and maintaining a living environment which is safe, comfortable, and stimulating should be a goal of everyone connected with a neighborhood. Educating the public on housing can contribute to neighborhood conservation.

PROGRAM TITLE

TRUTH-IN-SALE-OF-HOUSING LAWS OR REAL PROPERTY TRANSFER DISCLOSURE

PROGRAM DESCRIPTION

This ordinance requires that transfers of real property (usually 1 to 4 dwelling unit structures) be accompanied by the disclosure of certain information and the delivery of specific documents from the sellers to the buyer. It is the objective of this program to protect the consumer by providing him/her with full information on the property to be bought. Often deterioration can occur if, after acquisition, the buyer discovers that he/she must put in additional dollars to correct a structural or health deficiency, or that the zoning of the property is not suited for the intended use in which the property was purchased. The items to be disclosed should be within the personal knowledge of the seller or easily accessible from other sources.

During the 1978 session, the State Legislature is considering passing SB 330 (Wilson-Petris) which would require disclosure of selected items prior to the transfer of the property's title. It is unlikely that SB 330 will receive necessary support for passage. Thus, cities may desire to enact their own ordinance and incorporate the elements of the state bill which are most desirable locally.

ADMINISTRATIVE STRUCTURE

Local Agency Role

A Truth-in-Sale-of-Housing ordinance may take any number of forms depending upon the needs and capabilities of a specific community. Some ordinances require disclosure of only a minimum number of items; others require a greater number.

The local government must first develop and pass the appropriate ordinance for the community. Upon the passage of the law, the city building or planning department will provide zoning and planning data to the seller of residential real estate. Finally, the local agency must keep records of all transactions, monitor compliance with the ordinance, and enforce the provision when the sellers refuse to comply.

Residential Property Seller Role

The seller, or his authorized representative, must collect the required information from the city and other sources and supply the report to the buyer before transfer of title.

Residential Property Buyer Role

The buyer, or transferee, must receive the report and sign a receipt indicating that the report was delivered, and furnish to the local governing agency the receipt as evidence of compliance with the ordinance.

ESTIMATED COST

The local agency may charge the buyer a minor fee to provide the planning information. That will pay for personnel needed to gather and supply the data. Minor clerical and other staff time would be needed to operate the program.

MAJOR CHARACTERISTICS OF A TRUTH-IN-SALE-OF-HOUSING ORDINANCE

1. Before the sale or transfer of any residential building, the owner, or his/her authorized representative, must first obtain from the city (or county) the following information to be included in report:

   A. street address and assessor's parcel number for the property.

   B. the classification and authorized use (including density, limitations, lot coverage allowance, lot coverage limitations, and district requirements and occupancy requirements).

   C. any variances, conditional use permits, exceptions, and other pertinent legislative acts of record.

   D. any other special restrictions in use or development which may apply to the property.

   E. a statement, if applicable, that the property is within a special flood hazard area or fault zone.

2. Also required in the report, which should be information known to the seller, or easily accessible to the seller, are the following items:

   A. a statement of the total tax liability for the last available year.

   B. a statement of any assessment bonds of record to be assumed by the buyer.

   C. a statement listing all substantial defects or malfunctions in major systems or major appliances on the property. Major systems include roofs, heating, air conditioning, plumbing and electrical systems, or the drainage systems on the land.

   D. a statement whether a notice of code violations was issued or the property inspected by a code enforcement agency within the last year.

   E. the approximate year of construction of the residential structure.

   F. a statement whether improvements are connected to a public sewer system.

   G. any structural pest control report, notice of pest control work completed, or pest control certification.

   H. statement listing items installed in home but not to be included in the sale.

3. The ordinance does not apply to the following kinds of real property transaction:

    A. to the first sale of a residence located in subdivision whose final map has been approved within the last 2 years.

    B. transfers of more than 5 units (if local ordinance is only for 1 to 4 unit buildings).

    C. transfers in response to court order.

    D. transfer after default in payment of obligation.

    E. transfers between co-owners or in the administration of trusts, or between relatives.

    F. transfers upon marital dissolution.

    G. transfers under unclaimed property law or as a result of the sale.

4. Upon completion of the report and deliverance to the buyer, the buyer or transferee must sign a receipt indicating that the report was delivered and furnish to the local governing agency the receipt as evidence of compliance with the ordinance.

5. The seller who does not comply with the ordinance will be charged with a misdemeanor. However, for willful violations in the report, the seller is liable for actual damages (e.g. not disclosing substantial defects to structure which were known to the seller). The seller, on the other hand, is not liable for errors, inaccuracies, or omissions not within his/her personal knowledge. Also, the seller is exempt from liability if the error was based on information provided by a public agency or other persons providing information required to be disclosed. Reasonable care and effort must be taken by the seller in collecting and supplying the information. Otherwise, he/she may be liable for damages.

ANTICIPATED PROGRAM RESULTS

The purposes of the Truth-in-Sale-of-Housing Law or Real Property Transfer Disclosure ordinance is to protect the home buyer from any type of fraud or deception in the sale and to make certain the buyer is certain of the exact nature of their purchase (zoning, special use conditions.)

Under-maintenance of property can result if unanticipated expenses are incurred, or if the zoning or the community facilities and services are not suited to the intended uses for which the property was purchased. This disclosure mechanism could result in improved housing conditions in the community because buyers will be in a more knowledgeable position regarding the property. Sellers will be inspired to maintain their property since buyers will be viewing it with better information.

CONTACT SOURCE

Example program: Livermore, California

PROGRAM TITLE

PRESALE HAZARDS INSPECTION PROGRAM

PROGRAM DESCRIPTION

A city or county ordinance creating a Presale Hazards Inspection Program would require that prior to the sale or transfer of any residential property, the owner, or authorized representative of the owner, must obtain from the Housing/Building Department a Safety/Hazard inspection survey. This program would apply to only housing that is for sale, as opposed to an Occupancy Permit system which might apply to both housing for sale and rental housing. Depending on how the program is established, the program can require an inspection that only cites violations which create an immediate hazard to one's health and safety. Inspectors would not cite non-hazardous items which might come under scrutiny in a regular Safety and Housing Code inspection.

ADMINISTRATIVE STRUCTURE

Local Agency Role

After the government has approved a Presale Hazards Inspections ordinance, the Housing or Building Department (whichever is responsible for inspections) must inspect residences which are to be sold or transferred. It is the sellers responsibility to go to the appropriate department to obtain such an inspection. The local agency must collect the necessary fees for the inspection. After the residence has been surveyed for hazards and the inspection survey delivered to the buyer, the appropriate department will receive a receipt from the buyer and keep records of the inspection.

Residential Property Seller Role

Prior to the sale or transfer of residential property the seller must obtain from the Housing/Buildings Department a Safety/Hazard inspection survey and deliver the completed survey to the buyer.

Residential Property Buyer Role

The buyer, upon receiving the completed Safety/Hazards survey from the seller and a Hazards Clearance if there were violations that required immediate repair, must file a receipt with the appropriate department that the inspection has taken place.

ESTIMATED COST

A minor fee of $25-50 would make the system basically self-supporting, requiring no additional city-county subsidy. A Safety/Hazard survey, as opposed to a full code inspection, would require less time by the inspector. Clerical assistance may be an added minor cost. Depending upon the number of units a year inspected, the Housing/Building Department may have to hire additional personnel.

MAJOR CHARACTERISTICS OF PRESALE HAZARDS INSPECTION PROGRAM

1. Before the sale or transfer of residential property, the owner or his/her authorized agent, must obtain from the Housing/Building Department of the city a Safety/Hazard inspection survey. Items which may be considered to be of serious risk or injury, death, or damage to persons and property include:

   A. unsafe gas appliances
   B. broken or leaking sewer lines
   C. hazardous wiring
   D. dangerous structural conditions
   E. unsanitary conditions
   F. other immediately hazardous conditions

2. The ordinance does not apply to the following kinds of real property transactions:

   A. to transactions involving any new residential building which has not been occupied since the original permit was finalized

   B. to transfers between family members and relatives

3. After the inspection is made, if violations are observed, the inspector will deliver a hazard report to the owner or agent. If the building is vacant the hazards must be corrected before the building can be reoccupied. In the event the building is not vacant, a short time will be permitted to correct the deficiency. If there are no violations, or after violations have been corrected, a Hazards Clearance will be issued by the inspecting officer. The complete Safety/Hazard survey must be delivered to the buyer. The buyer should then file with the Housing/Building Department a receipt for such work.

4. A misdemeanor is charged to any owner of residential property who sells such property without having first obtained and delivered to the buyer the Safety/Hazard survey.

ANTICIPATED PROGRAM RESULTS

This program is designed to make buildings safe for new occupants and prevent the continued transfer of hazardous conditions from one owner to the next. Although a presale hazards survey does reveal immediate hazards, it does not deal with imminent problems and hazards in housing. It also does not deal with housing problems in all rental units. However, property must meet minimum safety requirements before the structure can be occupied. This will promote ongoing maintenance of property in the city if such a program is in effect.

CONTACT SOURCE

Oakland, California has a trial program underway.

PROGRAM TITLE

OCCUPANCY PERMIT INSPECTION OR CERTIFICATE OF INSPECTION PROGRAM

PROGRAM DESCRIPTION

The Occupancy Permit Inspection system provides for the inspection of single-family and multi-family dwellings when there is a change of occupancy. Both ownership transfers and rental exchanges are included in this comprehensive program.

A variety of community housing objectives may be met by instituting such a system. The program is aimed at assisting in the preservation of the existing housing stock, disclosing housing condition information to new occupants, and providing additional planning data. An Occupancy Permit Inspection system will serve different purposes in different cities, but is generally used to maintain housing and improve neighborhood living conditions.

The inspection will be a full code inspection, rather than a minimum hazard survey. Inspectors will check compliance with the applicable housing code, zoning ordinance, and other regulations relating to health and safety. If the residential unit is found to be in compliance with all applicable codes, an Occupancy Permit (or other such Certificate) will be issued. Otherwise, a schedule will be determined for the owner to bring the property up to necessary standards.

ADMINISTRATIVE STRUCTURE

Local Agency Role

Upon approval of the Occupancy Permit Inspection ordinance, the Housing or Building Inspections Department must organize and administer the program. This would include accepting applications for permits, maintaining appropriate records, inspecting dwelling units, issuing occupancy permits or orders to correct code violations, monitoring compliance of the orders, and keeping appropriate records for data purposes.

New Occupant Role

The prospective occupant applies for the permit in person or by written notice to the Housing/Building Inspections Department. A small fee is charged for the application.

Building Owner Role

After the application is submitted by the prospective occupant, the building owner is contacted to arrange an inspection. The owner must pay an inspection fee, usually between $25-50 for first unit plus a reduced fee for additional units. If the unit is in compliance with applicable codes the owner is issued an Occupancy Permit, otherwise the owner is given a specific length of time to correct the Code deficiencies. A conditional occupancy permit can be issued in situations where new resident desires to move in immediately.

ESTIMATED COSTS

An Occupancy Permit Inspections system will most likely require adding new personnel to the existing inspections staff. It is unlikely that a fee of $25-50 will cover all the costs of the program; thus, some general city revenues will be required. Some part-time enforcement investigators may need to be hired.

MAJOR CHARACTERISTICS OF OCCUPANCY PERMIT INSPECTION SYSTEM

1. The prospective occupant applies for the permit, ideally in person, so the inspection procedure can be fully explained by the clerk, and pays a minimal fee (e.g. $2).

2. The building owner is then contacted to arrange an inspection of the dwelling unit and the owner pays the inspection fee. The inspection is completed within three days from the date of the prospective occupant's application and the owners consent to inspect. In the event the owner does not give his written consent for an inspection, the inspection will not take place until an inspection warrant has been obtained in the manner provided by the State Code of Civil Procedure. If the residential unit is occupied by other than the owner in a home that is for sale, or occupied by another tenant in the case of a rental unit change, the owner is required to make the necessary arrangements with the occupant and the local agency so that inspection can be made at a reasonable and convenient time to all parties. No inspection is required if transfer has occurred within six months of the last inspection (or a locally decided period of time).

3. The home or rental unit is inspected by a staff person from the Housing or Building Inspector Department to determine compliance with the City/County zoning ordinance, housing code, and other local regulations relating to health and safety. In lieu of the City/County inspection, the applicant may submit an inspection report from an established and recognized firm, if approved by an authorized official. The inspection firm must attest to correction of all hazardous deficiencies, and fill out necessary agency forms.

4. If the property is in compliance with all applicable codes and regulations, an Occupancy Permit will be issued. This permit should include:

    A. date of issuance

    B. name of the owner to whom it is issued

    C. address of the residential unit

    D. permitted use and occupancy of the residential unit.

    E. statement that the residential unit complies with the provisions of applicable codes and ordinances.

5. Where inspections disclose that the residential unit is not in compliance with applicable codes and ordinances, the City/County inspector will give written notice of each deficiency to the applicant. No Occupancy Permit will be issued

until the deficiencies are corrected. However, a "Conditional" Occupancy Permit can be issued in cases where new occupant desires to move in immediately. The Conditional Occupancy permit must be secured by a performance bond or other guarantee equal to the estimated cost of doing the required work as determined by the local agency official. The security is subject to the approval of the City Attorney or County Counsel, and may be one of the following at the option of the owner and/or purchaser-recipient of the title (for sales) and owner (for rental transfers):

A. Bonds

B. A deposit of money or negotiable bonds

C. An instrument of credit from a financial institution

Upon completion of the work the local agency official will release the security and issue the Occupancy Permit.

6. Property owners and landlords must have an Occupancy or Conditional Occupancy permit before selling or transferring the property. The local agency may levy fines or impose sentences on violators.

ANTICIPATED PROGRAM RESULTS

The Occupancy Permit Inspection system, if properly implemented, could have the most far reaching results in terms of maintaining residential property in safe, sanitary condition. As opposed to other actions which attempt to rectify a serious situation after it has occurred, this system stresses continuous maintenance of property so that major code violations are not permitted to exist. When the program is first instituted, a period of time will exist where major code violations will have to be corrected. After the program has been in effect for a number of years, however, most major code violations will have been corrected and only minor maintenance violations will show up in the inspection reports. **In the long run, this program could be one of the most significant actions a local agency could take in housing conservation.** It could reduce the need for massive remedial programs in the future since property owners would be compelled to properly maintain their property on an ongoing basis. The system stresses the point that it is illegal to maintain residential property in violation of adopted housing codes. If financial assistance programs for rehabilitation were also available together with this system, the overall housing conditions of the community will always be getting better.

An Occupancy Permit Inspection system allows for continual monitoring and upgrading of the housing stock. In severely deteriorated areas it could increase abandonment of structures. However, in Santa Clara County, very little abandonment of structures would be anticipated if this program was established.

This system can be an effective tool for stopping the passing of substandard property from one owner to another. If established before housing in a community was severely deteriorated, it should prevent areas from deteriorating rapidly.

CONTACT SOURCE

Example program (rental): El Cerito, California
(non-mandatory): Hayward, California

PROGRAM TITLE

PRIVATE REAL ESTATE INSPECTION SERVICE

PROGRAM DESCRIPTION

Private real estate inspection services provide field inspections of resale homes and buildings. They conduct pre-purchase inspections of single and multiple-family dwellings, apartment houses and commercial and office structures.

The service allows a prospective buyer, who might be making the single largest investment in his/her life, the opportunity to know if he/she will have to invest more money in repairs, in replacing heating or electrical systems or to make it termite-proofed. An inspection report permits the buyer to consider these items in his/her investment decision. The inspection report may also allow the buyer to negotiate a lower price to compensate for cost of necessary repairs.

Additionally, the service can be of value to attorneys and real estate brokers, as well as individual home owners, who wish their clients to have complete information about their purchase.

ADMINISTRATIVE STRUCTURE

Local Agency Role

No direct government participation. The Housing or Building Inspections Department may desire to make this service known to potential homebuyers, or permit the service to be used to satisfy a local presale inspection ordinance.

Homebuyer Role

A prospective homeowner who would like to have the property inspected before committing themselves to the sale should look in the yellow pages for a local inspection service.

ESTIMATED COST

Inspection fees vary according to cost of the home, and area of the country. A typical company's fee for a single family home inspection in San Jose, for example, is $145 for a $40,000 to $49,000 home. The fee increases to $160 for a $80,000 to $89,000 home. Generally the cost for homes over $100,000 is 1/10 of 1% of the selling price plus $15.

CHARACTERISTICS OF THE INSPECTION

Inspections include a factual report on the physical condition of the property. It is not the intent to inform the buyer whether or not to make the purchase. A representative inspection checklist includes 249 items, including such items as:

1. Evidence of termites.

2. Condition of plumbing.

3. Condition of heating system, radiators, and ducts, etc.

4. Condition of roof, exterior walls, attic, etc.

5. Drainage and grading around building.

6. Inspection of garage, balconies, terraces, or other additions to the building.

Prospective buyers are provided with an oral report on the home within 24 hours of placing an order with the firm, and a full written inspection, including a checklist and oral commentary, within seven days. It should be noted, however, that such an inspection cannot take the place of the type of inspection, work write-ups, cost estimate and coordination needed in a rehabilitation program. Different companies have different inspection procedures, timetables and fees.

ANTICIPATED PROGRAM RESULTS

A qualified and competent private inspection of a home provides the prospective buyer with a third party opinion evaluating the physical and mechanical condition of the home or building. This independent inspection will assist the buyer in concluding the deal.

CONTACT SOURCES

Consult your local yellow pages for inspection companies.

PROGRAM TITLE

RENT WITHHOLDING (CALIFORNIA SUPREME COURT DECISION)

Green vs. Superior Court of the City and County of San Francisco - 10 CAL 3d616 1974, Civil Code 1941

PROGRAM DESCRIPTION

Under the State Housing Law and local housing codes, a landlord is required to maintain a building in sound structural condition. This includes maintaining the roof, plumbing, and heating facilities and those parts of the building and grounds which the landlord controls in a clean, sanitary and safe condition. If, under certain circumstances, the necessary repairs are not made by the landlord, California tenants may withhold rent payments (and eventually may even keep part of it) if the proper corrective actions are not taken.

Pursuant to the California Supreme Court case of Green vs. the Superior Court of San Francisco, all leases and rental agreements are now deemed by the law to include an "implied warrant of habitability". This means that whether it is actually written down or not, the landlord is required as a condition of any rental agreement to maintain the place in a habitable condition, as defined by the Housing Code. Rent may be withheld if the landlord "materially breaches" his/her obligation. Although "material" has not been clearly defined by the law, the length of time the defect persists and seriousness of the defect are relevant factors in determining if the law is applicable.

ADMINISTRATIVE STRUCTURE

Local Agency Role

The city plays no direct role in utilization of the rent withholding now made legal through the Green vs. Superior Court of San Francisco Supreme Court case. However, this mechanism to correct housing code deficiencies should be publicized to individuals and groups through the city/county housing department or fair housing agency.

Tenant Role

The effected tenant, by withholding the rent, initiates the action. The necessary steps to be taken by the tenant, and expected landlord conduct, is described below under "Tenant Rent Withholding Procedures".

ESTIMATED COSTS

There are no direct costs to the city. Tenant or landlord will have to pay for legal costs if case goes to court.

TENANT RENT WITHHOLDING PROCEDURES

1. If the tenant believes that the landlord is refusing to correct a serious housing code defect, and is therefore in violation of the warranty of habitability, the tenant should withhold the rent. The defect, to be applicable under the law, must not have been caused by the tenant or anyone living with the tenant or by a guest of the tenant. Also, the landlord must be given reasonable time to correct the problem.

2. Written and oral notice of the reasons for rent withholding should be given to the landlord.

3. If these procedures are followed, it is likely that the landlord will give the tenant a "three day notice" to pay the rent or to get out of the rental unit. If the tenant does not comply, the landlord will likely sue to have the tenant evicted.

4. The case will then proceed to court, and if the court determines that there has been a material breach of contract, the judge will order all rent payments to be deposited with the court until the case is decided.

5. At the end of the trial, the court will decide what "reasonable" rent the tenant should pay to the landlord and what balance will be returned to the tenant. The landlord will not get an eviction order and may have to pay the tenants legal costs.

6. If the landlord makes repairs after rent has been withheld and before the case gets to court, the tenant must pay the next month's rent but does not have to pay the full amount already withheld. Only a "reasonable" amount must be paid. If the tenant and landlord cannot mutually agree on the amount, a court may have to make the decision. However, it might not be worth the time and expense to take the case to court.

7. The tenant also has rights if the landlord, after rent is withheld, attempts to have tenant move through giving him/her a "notice to vacate". There are precedent cases that make "retaliatory eviction" illegal.

ANTICIPATED PROGRAM RESULTS

Rent withholding which has been given legal backing through the Green vs. San Francisco California Supreme Court case can become a powerful tool to correct housing code deficiencies. A tenant may withhold rent and prevent eviction actions until premises are brought up to code if the landlord is not properly maintaining the dwelling units in a safe, healthy condition. The tenant, however, should be prepared to get involved in a law suit which would require legal services. Many times this step is avoided simply by the written threat of rent withholding which often motivates the landlord to correct the problem.

In multi-family areas which are deteriorating, tenants often find it difficult to get a quick and efficient response to housing deficiencies. This is one technique that may effectively get the needed repairs completed.

ALTERNATIVE ACTIONS AVAILABLE TO TENANT

1. Contact local authorities such as fire, health, and housing authorities who are empowered to enforce local building codes and may require the landlord to remedy the problem without tenant involvement. The disadvantages of this action are that dwelling may be closed by authorities or the landlord may be able to avoid or delay remedial action.

2. Tenant may repair the premises and deduct the cost of repairs from the rent. After a reasonable time (presumed to be 30 days), and adequate notice, if the landlord has not corrected the situation, the cost of repairs can be deducted from the rent but cannot exceed one month's rent. The defect must be listed under Civil Code 1941, (basic health and sanitary items) and cannot have been caused by the tenant.

3. Suing the landlord is an available action but may be expensive and time consuming.

PROGRAM TITLE

HOME SERVICE WARRANTY PROGRAM

PROGRAM DESCRIPTION

Home warranty programs are offered in various forms through or by real estate brokers. It is a mechanism designed to both enhance the desirability of the home and protect the buyer from major unforeseen expenses. Many companies throughout the country now offer a diverse array of programs covering new property as well as resale structures. The price varies considerably according to the level and form of protection and services.

One such program offering re-sale home protection in California has developed a 1-Year Home Service Program to help both sellers and buyers of residential single-family property. The warranty allows the settling of complaints arising from failures to the major home systems and appliances after the close of escrow. Without warranty coverage, disputes often arise as to whom is responsible for repair, perhaps causing financial difficulties to the buyer or leading to undermaintenance of the property. Under a 1-Year home service program, those items under contract are repaired or replaced without the seller, buyer, or realtor becoming involved. For this reason, many real estate firms offer their clients this service.

Sellers Home Service Contract

A sellers home service contract insures the repair or replacement of plumbing, electrical heating systems and hot water heater for the term of the listing for a small service fee between $15 and $30. The warranty will be in effect 15 days after acceptance and terminate upon close of escrow or expiration of the listing. At the close of escrow the buyer will receive a 12 month buyer service contract for repair or replacement of the above listed items plus built-in-range, oven, garbage disposal and dishwasher. Requests for service are usually accepted 24 hours a day, and service usually commences within 36 hours after receipt of the request. The contract includes only services made necessary by normal operations and does not include damages or malfunctions caused by floods, earthquakes, storms, accidents, vandalism, fire or smoke. Cost for the Warranty contract varies between $175 and $250 and is payed at the close of escrow out of the proceeds of the sale. There is no obligation to pay if escrow fails to close. A buyers contract insures the repair or replacement, upon the close of escrow, of plumbing, electrical, heating systems, water heater, built-in-range, oven, garbage disposal, and dishwasher for a full year.

ADMINISTRATIVE STRUCTURE

Local Agency Role

Cities and counties play no direct role in a home warranty program. However, interested sellers and buyers of residential property should be provided information on the available property warranty programs. This information could be provided upon request or furnished through counselors at a housing service center.

Residential Property Seller Role

In order to be covered under a sellers home service contract, the seller must either directly, or through a realtor, sign the appropriate warranty program acceptance/agreement forms. By signing the necessary forms, the buyer will receive for 12 months the warranty services after close of escrow.

ESTIMATED COST

No cost to city. Individual residential buyers and sellers pay between $175 and $250 for the warranty contract, and a minor service fee of $15-30 per repair.

ANTICIPATED PROGRAM RESULTS

Home warranty programs offer benefits to both residential property sellers and buyers. A warranty program gives the buyer some confidence that the house will be more attractive to potential buyers when a 1-Year Home Service Program is included. Homes may sell quicker and bring a fuller price when buyers know that major systems and appliances will be repaired or replaced. Buyers covered under a home service program have confidence that there will be no unexpected large repair bills on the major systems and appliances.

CONTACT SOURCES

Consult the local yellow pages for home warrenty programs.

PROGRAM TITLE

LANDLORD SECURITY DEPOSIT FOR EMERGENCY REPAIR

PROGRAM DESCRIPTION

A landlord security deposit system requires that each residential property landlord deposit a sum of money into an interest bearing account which can only be used to repair units owned by the depositing property owner. The system is patterned after the requirement that a tenant deposit a payment to insure rent and up-keep of his/her rented unit. It extends to tenants the same kind of rights (to provide and maintain a habitable dwelling) as are provided to landlords.

The amount of the deposit would be based on a sliding scale, depending upon the number of units. In the community of Ridgefield, New Jersey, where a Landlord Security Deposit ordinance was instituted in 1972 and upheld by the New Jersey Appellate Court in 1974, a Commission was established to oversee the program. The Commission is composed of five persons: the Health Officer, the Building Inspector, two members of the Board of Health and one member of the City Council. The Commission is vested with the authority to expend monies from the security accounts to eliminate or alleviate emergency conditions. Emergency conditions are considered to be any conditions which are dangerous or injurious to the health or safety of the occupants of a building or occupants of neighboring buildings.

After any expenditure from a landlord's account, which must be approved by a set number of members of the Commission, the Commission notifies the landlord that he/she must replenish the account by that sum within a set amount of days. An appeal process should be provided for the landlord if he/she is concerned with the repair decision or the expenditure amount.

ADMINISTRATIVE STRUCTURE

Local Agency Role

Following the enactment of a Landlord Security Deposit ordinance the city must establish an interest bearing savings account for security deposits. The Board of Health, or another suitable municipal agency, will receive the deposits and hold them in trust for each owner. Also a Commission must be formulated which is authorized to expend monies from the security accounts to alleviate emergency conditions. This Commission should be made up of a variety of appointed and elected public officials.

Landlord Role

The landlord will be required to deposit a certain amount of money into a security account held in his/her trust. The required amount will depend upon the number of units owned with a maximum amount of around $5,000. If an expenditure is made from the emergency account, the landlord must replenish the account within approximately 30 days. Each locality may establish minimum deposit amounts and account replenishing time requirements appropriate to local conditions.

Tenant's Role

If a tenant has an emergency condition which is directly dangerous or injurious to the health and safety of the building occupants, and the landlord has refused to correct such deficiencies within a reasonable amount of time, he/she should notify the established Commission.

EXPECTED COSTS

Minimal additional costs to city. Some clerical staff time required, as well as a minor time commitment for Commission members.

ANTICIPATED PROGRAM RESULTS

A landlord security deposit system is a simple mechanism for insuring apartment residents that emergency conditions that create a health or safety hazard dangerous to occupants will be repaired. Whereas the landlord is protected against abuse by the tenant in requiring a damage deposit, this tool gives a similar type of protection to the resident.

CONTACT SOURCE

Example program: Ridgefield, New Jersey

PART VII
BIBLIOGRAPHY.

PART VII BIBLIOGRAPHY

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